





Tuesday April 11 1995
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FINANCIAL TIMES

**Argentina**
Menem bids for repeat performance
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**Banking**
Keeping an eye on risk
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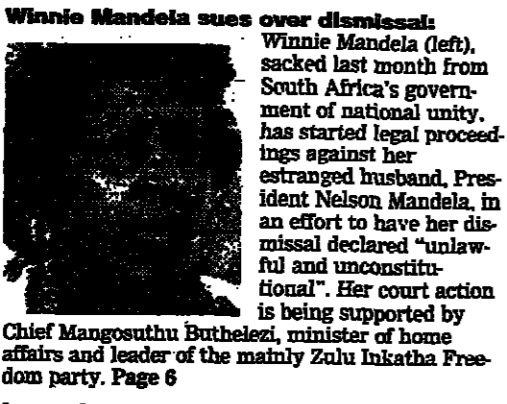
**Nato**
The race for expansion
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**Steel industry**
Price shock as Japan's needs rise
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World Business Newspaper WEDNESDAY APRIL 12 1995 D8523A

Matsushita faces currency loss after MCA deal

Matsushita, the Japanese consumer electronics company, will make a substantial foreign exchange loss this year as a result of its sale of an 80 per cent stake in MCA, the US entertainment company. President Yotchi Morishita said the sale of the stake to Seagram, the Canadian drinks company, would result in a foreign currency exchange loss in its 1995 accounts. Page 17; Lex, Page 16



Chief Mangosuthu Buthe, minister of home affairs and leader of the mainly Zulu Inkatha Freedom party. Page 6

Iran rejects appeal on Rushdie: Tehran radio rejected a European Union appeal urging Iran to declare it would not kill Salman Rushdie, the Indian-born author of *The Satanic Verses*.

Zurich heads \$2bn Kemper bid: An investment group led by Zurich Insurance, one of the world's largest insurers, announced an agreed \$2bn bid for Kemper, the embattled US insurance and fund management company. Page 17

Gun maker faces suit after shootings: Relatives of seven people killed in a gunman's rampage can sue the manufacturer of the assault weapons he used for damages, a San Francisco judge said in a precedent-setting ruling. Page 5

Chinese revolutionary leader dies: China's media paid tribute to Chen Yun, a veteran leader of the Communist revolution who died aged 90. Page 18; Obituary, Page 4

Santer discusses \$400m Uster initiative: European Commission president Jacques Santer opened a conference in Northern Ireland to discuss implementing the European Union's \$400m (£400m) initiative for Uster. Page 8

Warning on German job creation: Germany's leading economic institutes warned the government that the impact of a strong D-Mark and a round of generous wage increases were undermining the ability of German companies to create jobs. Page 16

French bank forecasts growth: The governor of the Bank of France said the country's economic recovery looked firmly established, while stressing the importance of widespread structural reforms to help generate new jobs. Page 3

Samsung to put \$4bn into China: Samsung, South Korea's biggest conglomerate, plans to invest \$4bn in China by 2000. Page 21

Nuclear plant loan set for approval: The European Bank for Reconstruction and Development is on the verge of approving a controversial DM12.5m (\$255m) loan to complete a Soviet-built Slovakian nuclear power station, located near the Austrian border. Page 2

Russian commander dismissed: The Russian commander of United Nations peacekeepers in a Serb-held enclave of Croatia was removed from duty for black marketeering and collaboration with local rebels, UN officials said. Page 2

EU television decision unlikely this year: The European Union is unlikely to decide this year what to do about proposals for tighter limits on imported films shown on EU television, culture commissioner Marcelino Oreja said.

Australia agrees competition deal: Australia's federal and state governments reached agreement on a financial compensation package clearing the way for the introduction of national competition policy reforms. Page 4

Women 'earn 40% less than men': Women earn on average 40 per cent less than men of the same age and with the same education level, a report by the Organisation of Economic Co-operation and Development revealed.

Former FT chairman dies: Alan Hare, distinguished soldier-spy and later managing director, chief executive and chairman of the Financial Times in the 1970s and early 1980s, has died aged 76. From 1983 to 1990 he was also chairman of the Chateau Latour wine estate. Obituary, Page 9

STOCK MARKET INDICES			GOLD		
New York Composite	4,184.65	(-13.49)	New York Gold	383.8	(382.6)
Dow Jones Ind. Av.	4,184.65	(-13.49)	London Gold	383.4	(382.2)
NASDAQ Composite	822.42	(+1.18)			
Europe and Far East	1,892.31	(-11.81)			
CDAX	1,892.31	(-11.81)			
FTSE 100	3,190.9	(-13.3)			
Nikkei	16,259.8	(+105.78)			

US LUNCHTIME RATES			DOLLAR		
Federal Funds	5.75%		New York Gold	1,593	
3-month Treas. Bill	5.527%		DM	1,593	
Long Bond	10.2%		FF	1,593	
Yield	7.25%		SP	1,593	

OTHER RATES			STERLING		
UK 3-mo Interbank	5.75%	(6.35%)	DM	2,232	(2,236)
UK 10 yr Govt	10.0%	(10.00%)			
France 10 yr Govt	5.75%	(5.75%)			
Germany 10 yr Govt	10.14%	(10.14%)			
Japan 10 yr Govt	10.14%	(10.14%)			

NORTH SEA OIL (Argus)			YEN		
Brent 15-day May	\$18.55	(18.04)	DM	2,232	(2,236)

EU bows to employers over rights of workers

By Robert Taylor, Employment Editor, in London

The European Commission will today formally abandon its commitment to the wide use of legal measures as a way of strengthening workers' rights throughout the European Union.

In a move likely to provoke widespread anger among trade unions and the dominant socialist group in the European parliament, the Commission is bowing to employer demands that competitiveness and job creation should become its main priorities.

The plan laying out the social policy for the next three years will be outlined in Brussels by Mr Padraig Flynn, social affairs commissioner. A final version of the agenda emphasises that the programme is not "a radical new departure" but "a continuation" of the strategy set out by Mr Jacques Delors, the former Commission president, in his white paper on competitiveness published two years ago.

"Total harmonisation of social policies is not an objective of the Commission or the Union," the document says. "There cannot be social progress without competitiveness and economic growth."

Mr Flynn's programme stresses that "a new balance must be achieved between what is economically necessary and what is socially desirable".

The plan covers a range of proposals, including the monitoring of member states' performance in employment creation. There must be greater collaboration between governments, employers and unions in seeking unemployment cuts, it states.

New initiatives are promised on education and training, while freedom of movement is to be encouraged in building a European-wide labour market. The plan says it will tackle the problems of social exclusion for the poor, the unemployed, the disabled and racial minorities, but this is to be done mainly through debate, exhortation and an emphasis on encouraging member states voluntarily to accept minimum standards.

The document will please those who want a halt to further social regulation. Mr Flynn favours the Commission becoming "a catalyst" in promoting joint discussion, exchange of experience and "concerted action on a transnational basis in responding to common problems". However, the report says it is "flexible", and further directives may be necessary if agreed by unions and employers.

Trade unions are likely to welcome a proposal to develop a "common framework of minimum social standards".

A code of practice is promised on equal pay for work of equal value as part of a medium-term strategy to improve equality of opportunity between men and women. Studies will be completed on the protection of workers' privacy, teleworking, and the right to payment of wages on public holidays and during illness.

Mr Emilio Garboglio, general secretary of the European Trade Union Confederation, said yesterday he was "disappointed" by the plan. "There are too many words and not enough action in it," he added.

New realism, Page 2

Car ferries could be made safer, IMO says



Roll-on-roll off car ferries are safe but could be made safer, Bill O'Neill (above), secretary-general of the International Maritime Organisation, said yesterday.

Mr O'Neill, who heads the UN maritime safety agency, was outlining recommendations of a panel set up to investigate the safety of roll-on-roll off ferries. The study was spurred by the sinking of the Estonia in the Baltic last year with the loss of more than 800 lives.

The IMO panel focused on the most dangerous problem for roll-on, roll-off ferries - build-up of water on the enclosed vehicle deck. It was this problem, followed by sudden movement to one side, that led to the rapid capsizing of several ferries.

Among the panel's recommendations was that ferries should have an inner bow door to act as a second line of defence against collision; that audible alarms should be fitted to key doors; and that the bridge and engine room should monitor closed-circuit television on vehicle decks for leakage. AP and Staff

Brussels bans Japanese fish imports

By Lionel Barber in Brussels, Michio Nakamoto in Tokyo and Nicholas Williams in Geneva

The European Union has banned imports of Japanese fish because of hygiene concerns, the European Commission said yesterday.

The decision was taken last Friday after routine inspections indicated that sanitary conditions in Japan's frozen-fish establishments were not sufficiently high. The indefinite ban will affect imports of about 6,000 tonnes of fish at a cost of about £20m (\$35m), a Commission official said.

He emphasised that the decision was not linked to other EU-Japanese trade disputes, and was not an effort to prise open Japanese markets.

The Commission has imposed similar bans on fish imports in the past few years on hygiene grounds, with restrictions on products from Turkey, Morocco and Scotland.

The Japanese ban covers shrimps, scallops and *saurimi*, a semi-processed mixture of flaked fish. It follows a mission by veterinary inspectors to Japanese establishments.

In 1990, the EU imported 10,000 tonnes of Japanese fish products at a cost of about £4m. The volume has declined, partly as a result of similar action in 1988 when the EU banned some shellfish imports from Japan because of incidents of food poisoning from scallops. That ban was lifted in April 1994.

Japan's Ministry of Agriculture, Fisheries and Forestry said the move was an overreaction.

"The EU officials who came to Japan inspected only a few processing sites. To ban all Japanese imports on the basis of the few places they saw is a strict measure."

Japanese marine products had not caused any ill health problems in the domestic market, he said. Yaohan, a Japanese supermarket in London, said it was "very dismayed by a decision that affects us very badly".

The EU move was initiated because of the failure of Japanese companies to comply with EU standards for sanitary and production management conditions.

There has been growing international concern over the use of food safety and animal and plant health regulations as barriers to trade. Increasing use of such actions led to the inclusion of an international agreement on sanitary measures in the Uruguay Round of global trade talks.

The accord, which came into force in January, says governments should not impose unnecessarily restrictive health and safety measures. Governments should use international norms.

Last week, the US lodged a complaint under the auspices of the World Trade Organisation - successor to the General Agreement on Tariffs and Trade - against South Korea's inspection requirements for fruit and vegetables. The complaint may result in a WTO disputes panel.

Madrid deplores threats, Page 2

Pechiney sells \$2bn assets to cut debt

By John Riddling and Kenneth Gooding in Paris

Pechiney, the French aluminium and packaging group, set out a radical restructuring plan yesterday involving the sale of FF10bn (\$2bn) of assets and a significant capital increase to prepare the group for privatisation.


Mr Jean-Pierre Rodier, who took over as chairman last year, said he aimed to have the group ready for sale by the end of the year. "We are writing the script for a more interesting film in the future," he told investors and analysts.

Radical measures were necessary to cut the group's debts and return Pechiney to profit after losses last year of FF3.75bn, he said. The heavy losses, indicated in February, compared with a net deficit of FF980m in 1993. They were largely the result of a write-down of assets.

Pechiney International, the group's publicly quoted packaging arm, also confirmed that it lost FF4.5bn last year.

The recovery strategy is based

Continued on Page 16 Lex, Page 28



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Austria	50.05	Germany	140.10	Italy	1,400.00	Spain	1,400.00	UK	1,400.00
Belgium	140.10	France	140.10	Japan	140.10	Netherlands	140.10	Sweden	140.10
Canada	140.10	Switzerland	140.10	Denmark	140.10	Finland	140.10	Norway	140.10
Czech Rep.	140.10	Greece	140.10	Ireland	140.10	Portugal	140.10	Slovakia	140.10
Danish	140.10	Hungary	140.10	Poland	140.10	Slovenia	140.10	Syria	140.10
East Germany	140.10	South Korea	140.10	Taiwan	140.10	Turkey	140.10	USA	140.10
Faroe Islands	140.10	USA	140.10	Yugoslavia	140.10				

NEWS: EUROPE

New realism dictates EU social policy

The European Union's social action programme for the next three years, to be published today, marks an important shift in the direction of European social policy.

Over the past five years - partly under the influence of former EU president Jacques Delors - the emphasis was on the need for laws. But under pressure from the employer lobby and growing concern among a number of member governments about European competitiveness, the emphasis has changed.

The agenda for the next three years - drawn up by Mr Pádraig Flynn, social affairs commissioner - reflects the new realism inside the European Commission. The radical call for change has gone. Instead, the social action programme stresses the need to consolidate existing legislation and calls for more discussion and less regulation.

Agenda for next three years will be determined by more discussion and the consolidation of existing legislation, writes Robert Taylor

Such an approach will arouse considerable criticism both among the European trade unions and the Socialist majority in the European Parliament, who want a social policy more sympathetic to the demands of organised labour.

Mr Flynn, who is already the subject of considerable suspicion on the European left, will need all his diplomatic skills to convince the unions in particular that their interests are not being abandoned.

All sides will agree with his concern that there should be a "more effective application" of existing European employment law through greater clarity, openness and precision, with more surveillance and use of, as yet, unspecified sanctions. Mr Flynn wants EU legislation

to be "simplified, updated and clarified where necessary" if it is to be fully enforced inside the Union.

There is also general acceptance of making employment the EU's "top priority" in the social area. Mr Flynn proposes monitoring employment trends and the use of structural funds totalling Ecu141bn (£116.5bn) over the five years to 1999 to promote jobs.

His proposals for "building a European labour market" will not raise much complaint either. Such measures as a new draft directive to establish a framework to protect individual employees' pension rights in schemes that involve crossing frontiers is acceptable. But the unions will not be happy with his call for a number of

debates which mean postponement of decision-making.

Talking about obstacles to free movement of labour, on opening up employment opportunities in the public sector, on social security for migrant workers; and the future of third country nationals permanently and legally resident in the EU is not likely to be enough to satisfy the unions.

All sides will agree with the report's assertion that "high labour standards" should be encouraged as "part of a competitive Europe".

The programme promises "the possibility of a first-step legal directive on part-time employment after consultation with employers and unions". A detailed study is also promised this year on national rules and

practices of individual dismissals. Talks are to be held with the unions and employers by the first half of next year, with a possible draft directive emerging.

If necessary, the Commission will bring forward proposals to complete the directive on working hours in 1996-1997. Discussions are to be held on the groups so far excluded, including those in transport, sea fishing, inland waterways, civil aviation, sea transport and doctors in training. Encouragement will be given for measures to improve the conditions for home workers.

The document hopes the Commission can adopt this year an amended and updated directive on transfer of undertakings to replace the 1977 leg-

islation. If no progress is made by the end of this year on a directive covering the posting of workers, consultations will be held with the unions and employers to "review how best to resolve the problems".

Debates will be launched on the rights of individual workers to be consulted on internal company matters. Action is promised by 1997 on flexibility and work organisation. A study is being made into illegal work "with a view to eliminating practices which distort fair competition between states".

The plan favours the launch of "a new phase" on equality of opportunity for women and men "underpinned by a medium-term strategy" with action over "reconciling family and working life, desegregating the labour market and extending the principle of equal treatment and promotion of the concept of citizenship for women".

EUROPEAN NEWS DIGEST

EU business confidence hit

Political uncertainty and exchange rate volatility undermined business and consumer confidence across the EU in March, according to the latest survey carried out for the European Commission. "After a period of hesitation about the upturn of the economy, signals of pessimism have become apparent," yesterday's report warned. The Commission's economic sentiment index fell sharply to its lowest level in half a year in March, after declining fractionally in February. Confidence had risen steadily from the middle of 1993, turning downwards only towards the end of the year.

Expectations of industrial output growth fell in almost all member states last month, with companies in the construction industry gloomy in most countries. Industrial order books are weakest in the UK and Luxembourg and most buoyant in Denmark. Consumer confidence also fell, although this was accounted for by a big drop in optimism in Italy, where consumer confidence has been undermined by inflation fears. In Germany, however, consumer confidence has received a substantial boost from hopes of rising incomes. Robert Chote, *Economics Correspondent*.

US sympathy for Turkish raid

Mr Strobo Talbott, assistant US secretary of state, yesterday reiterated Washington's understanding of Turkey's three-week incursion into northern Iraq in pursuit of guerrillas of the Kurdistan Workers' party, the PKK. In a speech in Ankara he said: "The United States understands Turkey's need to deal firmly with the PKK, a vicious terrorist organisation."

Washington has been less critical of the operation than most west European governments. However, Mr Talbott warned that "force alone is not the answer [to deal with secessionists]. It can make a bad situation worse. The way to defeat outlaw groups is to deprive them of popular support by addressing legitimate needs and grievances."

■ Mr Mehmet Köstebay, Turkey's transport minister, resigned yesterday following disagreements with Mrs Tansu Çiller, the prime minister, over plans for privatising the state telephone network. *John Barham, Ankara*

Croatia to demobilise troops

Croatia said yesterday it would demobilise 30,000 troops and send them back to civilian work despite lingering tensions with rebel Serbs who control a third of the country. Demobilised soldiers will take jobs in areas where a labour shortage threatens industrial production. Mr Gojko Susak, defence minister, was quoted as saying by state radio.

"We shall demobilise these soldiers but it will not diminish our combat readiness," he said. Croatia's standing army numbers 114,000. Mr Susak and a ministry spokesman did not make clear whether the demobilised troops would be regulars or reserves recently called up. *Reuter, Zagreb*

■ The Russian commander of UN peacekeepers in Serb-held eastern Croatia has been removed from duty for alleged black marketeering, UN officials said yesterday. The allegations of corruption were made in a confidential report by a senior UN police team following an investigation last September. Gen Alexander Perevalov was put on forced sick leave and holiday three weeks ahead of his scheduled replacement by a Belgian officer. *Laura Silver, Belgrade*

Probe into German arrests

Germany's parliamentary commission responsible for overseeing the BND, the country's intelligence services, will hold a special sitting later this month to investigate an alleged undercover operation carried out by the BND last year. The decision follows a report by Der Spiegel magazine which alleged BND officers had traded in plutonium as part of an undercover operation last August in which three smugglers arriving from Moscow were arrested at Munich airport.

Der Spiegel alleged that the Munich incident had been stage-managed, although it left unclear whether this was to improve the image of the BND or warn of the dangers of illegal plutonium smuggling. The government earlier this week denied that Mr Bernd Schmidbauer, state secretary responsible for the intelligence services, had known about any cover-up or stage-managed activities. *Judy Dempsey, Berlin*

French see extremist threat

Most French people believe Islamic fundamentalism represents a serious threat which must be confronted, according to an opinion poll published yesterday. The survey, in the daily Le Figaro, said 78 per cent of those questioned agreed with the statement. Only 16 per cent felt fundamentalism was not such a threat and that all opinions had to be tolerated. There are about 5m Muslims in France, mostly of North African origin. *Reuter, Paris*

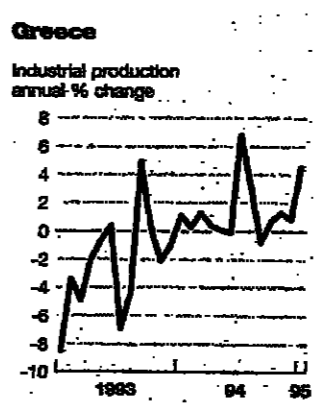
ECONOMIC WATCH

Steady rise in Greek output

Greece's industrial production rose by 4.5 per cent on a yearly basis in January, marking a steady improvement over the past five months, the statistical service said yesterday. The January rise followed a 0.8 per cent increase in December. Higher output of food and beverages, processed timber, textiles and metallurgical products accounted for the increase. The figures also reflect increased exports of textiles and metal products as Greek manufacturers respond to rising demand in the rest of the EU. "The growth in output starts from a low base but it's clear that Greece is beginning to emerge from recession. At the same time, the results of investment in modernisation by healthy companies are starting to show," said Mr Yannis Tegopoulos, an analyst at Midland Pantelakis Securities.

Industrial output increased by 1.2 per cent in 1994 after four successive years of decline, with small manufacturers suffering from sharply rising costs. Overall, Greek industrial production shrank throughout the 1980s as a result of falling investment and the loss of traditional export markets in the Middle East and eastern Europe. *Kerri Hope, Athens*

■ Producer prices in the Netherlands rose 0.2 per cent in February from a month earlier and were up 4.1 per cent year on year, according to preliminary figures. Producer prices of imports were 0.1 per cent higher in February than in January while prices of products produced domestically were up 0.2 per cent on the month.



EBRD chief warns of risk to projects

By Anthony Robinson and Gillian Tett in London

The European Bank for Reconstruction and Development will complete a study of its future capital needs by next April. Government shareholders will thus be able to decide on a possible capital increase at the bank's next annual meeting, Mr Jacques de Larosière, its president, said yesterday.

"At the current project rate we will have committed all our resources by the end of 1997 and would have to curtail future projects without an increase in resources," he added.

Speaking at the end of the bank's fourth annual meeting in London, he

said the review of the bank's finances would be all-embracing. "We will be reviewing our exit strategy from existing projects, the scope for increased loan syndication and co-financing arrangements" in order to maximise the leverage of bank projects and make best use of its capital resources.

He denied reports of a rift between North American and European shareholders over future increases in the bank's original start-up capital of Ecu10bn (£8.3bn), of which Ecu3bn has been paid up by the 59 shareholders.

"At this meeting shareholders expressed their satisfaction with the cost cutting and efficiency gains which have turned the EBRD into a well

established, effective institution," he said. The bank was facing a rising demand for project financing and was increasing its focus on ecological improvement and energy efficiency projects in the 25 post-communist countries in which it operates.

Earlier, the 23-strong board defined the bank's main role as "filling gaps where other finance was not available". In closed session, it stressed the importance of "leveraging the bank's resources" and promised to continue to provide equity and loans of longer maturities than those obtainable from the region's fledgling financial institutions.

The board elected Mr Lamberto Dini,

Italy's prime minister, as chairman to replace Mr Pedro Solbes, the Spanish finance minister. One of Mr Dini's main tasks will be to cut the costs of the board which alone accounts for 12 per cent of total spending.

Mr Kenneth Clarke, Britain's chancellor of the exchequer, complained yesterday that board costs were "far too high". He questioned whether the delegations to the board needed to be so large, adding that if the directors were reduced sharply, overall costs could be reduced by as much as a third.

These criticisms were echoed by Mr Larry Summers, the US Treasury chief for international affairs, who called board costs "clearly excessive".

Madrid deplores Canadian threats

By David White in Madrid and Lionel Barber in Brussels

Spain yesterday accused Mr Brian Tobin, Canada's fisheries minister, of blocking prospects for resolving the Atlantic fishing conflict by threatening to resume action against Spanish trawlers in international waters off Newfoundland.

Mr Luis Añorza, Spanish fisheries minister, said Ottawa was "firing shots below the water-line". He said Madrid was anxious for a deal, but "there cannot be an agreement under blackmail and threats".

Officials in Brussels said, however, that Spain needed a deal so as not to jeopardise its position in fishing negotiations with Morocco. "Spain has calculated that it cannot fight a war on two fronts," said an observer in Brussels. "It needs to settle with Canada."

Mr Añorza told the FT that the Spanish government was prepared to take the consequences, in public opinion terms, for a sharp cut in the Spanish trawler fleet's catch of Greenland halibut (also known as turbot) off Canada. But a deal would be "politically costly" if made under duress.

An agreement which left Spain 10,500 tonnes this year, out of an overall EU quota of 13,500 tonnes, or half the agreed 27,000-tonne overall limit, would be "satisfactory", he said. This would compare with an average Spanish catch of about 35,000 tonnes in recent years and a current unilateral EU quota of 18,500 tonnes.

Trawlermen fishing off Newfoundland yesterday made clear their opposition to any reduction in the EU catch below the 18,500-tonne level.

Mr Añorza said Spain's agreement would be conditional on "other political elements being clarified". This would include rejection of Canada's claim to a reserved "box" outside its 200-mile limit.

An EU-Canadian agreement would need to be ratified by a majority of countries in the Northwest Atlantic Fisheries Organisation, the international body charged with regulating fishing in the region, he said.

A number of the Spanish vessels operating off Newfoundland would have to be taken out of service or transferred to other fishing grounds.

He expressed concern that the row with Canada might overlap with a "second front" of conflict with Morocco. EU representatives began a second round of talks with the Moroccan government in Rabat yesterday on a new fisheries agreement to replace the current accord which expires at the end of the month.

Morocco is seeking sharp reductions in EU fishing off its coast and that of the western Sahara. About 90 per cent of the EU boats fishing in the region are Spanish.

Meanwhile, the skippers of two trawlers of Spanish origin are expected to appear in court in Ireland on today. Their vessels were seized after a random spot check on Monday. The fishermen were suspected of exceeding their quotas.

Bank prepares to bite nuclear bullet

Emma Tucker on the controversy over the proposed loan for a Slovak atomic plant

The European Bank for Reconstruction and Development is confronted by a decision on the biggest, and by far the most controversial, loan in its four-year history.

The object of the DM412.5m (£187m) loan is a Soviet-built Slovakian nuclear power station that sits, 90 per cent complete, just over the border from Austria. The Mochovce reactor project raises serious environmental questions, but it also fits into a broader debate on economic spheres of influence and stability in former communist central Europe.

On one side stands non-nuclear Austria, the newcomer in the European Union whose cause is backed by the Green-coalition across Europe. On the other, stands the French-led nuclear lobby in the shape of Electricité de France, the French state-owned monopoly battling to secure this and future contracts in the former Soviet bloc.

"There are so many bad things about this whole affair that people are afraid to talk about it outside official circles," said a diplomat based in Brussels. "It is like a large plume waiting to be squeezed."

Mochovce was dropped from the agenda of the EBRD's annual meeting after the Slovak government requested a delay in the decision on the plant's future. However, the

arguments, which centre on the sensitive question of how to deal with dozens of poorly built reactors scattered across eastern Europe, continue.

The immediate issue is whether the EBRD and the European Commission should lend the Slovak government enough money to meet the DM1.3bn cost of finishing the power station.

Some EBRD officials favour committing the bank to its share of the financing - DM412.5m, making it the first multinational development agency to finance a nuclear plant. The bank has argued that completing Mochovce is the least-cost option for helping to meet Slovakia's energy needs. The loan would ensure that the plant was brought up to western safety standards, and would help finance the closure of a much older, more dangerous power station at Bohunice.

These standards would be assured through the installation of western equipment and technical assistance from EDF, which would co-manage the plant with Bayernwerk and Siemens of Germany. In return, the Slovaks would have to meet a strict set of safety and financial criteria.

The nub of the EBRD's argument is that refusal to help could prompt the Slovaks to ask Russia for help in completing Mochovce and could delay

Plans to complete the Mochovce nuclear power plant in Slovakia with financial support from the EBRD are "half dead", Mr Andreas Starbacher, Austria's finance minister, said yesterday, writes Anthony Robinson. He claimed after talks with Mr Jacques de Larosière, the bank's president, that the deal was effectively suspended. Mr de Larosière himself refused comment other than saying: "The status of the project has not changed. A decision has been postponed at the request of the Slovak government last month." The Slovak delegation to the EBRD annual conference in London refused to comment.

The Austrian government has offered Mr Vladimir Meciar, the Slovak premier, up to \$50m (£31m) to help finance alternative, non-nuclear energy sources as part of its fight to persuade the Slovaks both to close the existing Bohunice plant and use alternative, non-nuclear technology to complete Mochovce.

closure of Bohunice. The fear, however justified, is that Russian aid could create an even bigger safety problem. "Soviet-era designed nuclear power stations are about as reliable as the weakest weld performed by the drunkest welder," in the words of one critic.

Opponents of Mochovce, led by the Austrian government and including certain officials within the EBRD and the European Commission, disagree. They believe it is impossible to guarantee safety in a reactor built largely under the old, lax safety regime and suffering from fundamental design flaws.

This week, Mr Alois Mock, Austria's foreign minister, raised the stakes at a meeting of European Union foreign ministers in Luxembourg. He warned aspiring members of the EU in central and eastern

Europe that they could not expect to join the Union without adequate safety standards in their nuclear plants.

A further note of caution has come from the European Investment Bank which was asked by Brussels to give its opinion on a possible loan for Mochovce via Euratom, the EU-wide atomic agency. The EIB is not convinced that completing the power station is the least-cost option.

In a document that started life as a recommendation to the Commission but was later watered down to an opinion, the EIB made plain its doubts. "While in view of its productive nature, the project is suitable for loan financing," it said, "the need to rely on very uncertain forecasts for a number of key variables does not make it possible to establish an unequivocal conclusion that

American joins board in Siberia

By John Thornhill in Moscow

Irktutskenergo, one of the biggest energy utilities in Siberia, has taken the unusual step of appointing an American businessman to its board to represent the interests of foreign investors who own more than 10 per cent of its shares.

A few foreign executives have previously been appointed to the boards of Russian companies. But this is believed to be the first time a leading Russian company has headhunted a foreign non-executive director to represent non-Russian investors and illustrate how some companies are beginning to take the issue of corporate governance seriously.

Russia's Federal Commission on Securities and Capital Mar-

kets, the industry regulator, has been trying to foster the concept of shareholder rights and encourage investors to exert real control over company directors. Both government officials and investors have been alarmed at examples of companies riding roughshod over their owners' interests erasing names from shareholder registers and secretly issuing shares.

At their annual meeting earlier this week, Irktutskenergo's shareholders elected Mr James Rogers, chief operating officer of Cinergy, the Cincinnati electricity generator, to its board. Irktutskenergo's directors said they would benefit from Mr Rogers' experience of working in a similar US company.

Irktutskenergo and Cinergy are comparable in size and output. Irktutskenergo has a power

generation capacity of 13,000 megawatts compared with Cinergy's 11,000MW.

Mr Rogers, who does not speak Russian, will be expected to travel from Cincinnati to Irktutsk at least four times a year to attend board meetings.

Mr Georg Kallgren, director of Brunswick Brokerage, a Moscow-based stockbroker firm which has bought shares in Irktutskenergo and helped find Mr Rogers, said: "I was very surprised when the company approached me and said we would understand and accept if your clients wanted to have someone on our board."

Irktutskenergo is one of the cheapest energy producers in Russia because of its extensive use of hydroelectric power. But the company has been experiencing problems because of disputes over the grid network.

It also has a volatile relationship with two local aluminium plants, its biggest customers.

Many Russian companies still view foreign investors with deep suspicion and nationalist politicians have criticised the way in which valuable assets have been sold off cheaply.

Mr Sergei Burkov, head of the parliamentary committee on privatisation, joined the chorus yesterday saying the second stage of privatisation threatened to cast Russia's economy into a "black hole".

■ Mr Vadim Yafayarov, vice-president of the Siberia-based Yugorsky Bank, was shot dead along with his bodyguard in Moscow on Monday night. The murders are the latest in a string of contract killings which have bedevilled Russia's banking industry.

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NEWS: ASIA-PACIFIC

Reforms aim to open up economic sectors ranging from law to utilities

Australia agrees competition deal

By Nikki Tait in Sydney

Australia's federal and state governments yesterday reached agreement on a financial compensation package which clears the way for the introduction of national competition policy reforms.

The reforms could see key sectors of the economy, ranging from utilities to the legal profession, opened up to competitive pressures.

Mr Paul Keating, the prime minister, described the deal, struck at a meeting with state premiers in Canberra, as "quite an historic day. All the

states, territories and commonwealth together will see... a more efficient economy," he claimed.

Mr Keating warned that implementing the reforms would require a good deal of effort, but said the agreement meant work could start.

Both federal and state/territory governments have already pledged to support the competition policy principle, which, it has been estimated, could boost Australia's gross domestic product by A\$22bn (£10.4bn) by 2001.

In theory, the business sector should be a big winner as

infrastructure, service and transport costs reduce.

The states had been arguing that much of the deregulation would fall into areas under their authority, requiring them to open up government-run businesses and utilities, for example. This, in turn, would undermine their revenue base, for example by diminishing dividends received from state-controlled power utilities.

Conversely, the federal government's tax take should significantly increase, with some estimates putting the benefit to federal coffers at about A\$5bn over the next 10 years. The

states had been asking for half this money to be transferred back to their budgets. Yesterday's compromise agreement settled on 40 per cent, with some inflation-proofing.

The reforms stem from recommendations in the Hilmer report two years ago. It advocated competition among utilities run as state monopolies, and direct private-sector access to government facilities, such as pipelines.

It also said trade practices legislation should be extended to cover lawyers and doctors, meaning easier access to the professions. Hilmer suggested

reforms in the agricultural sector, for instance, in regard to centralised, state-based marketing boards. It said government-owned enterprises should compete on a similar taxation basis as private enterprises.

Some of these reforms have begun to materialise, for example, in the electricity sector, but the compensation agreement should accelerate the pace of change.

One remaining hurdle is union opposition; the Public Sector Union argues that many service costs will rise because of the reforms, as cross-subsidisation is eliminated.

Singapore to reopen Philippine murder inquiry

By Our Foreign Staff

Diplomatic strains between Singapore and Manila eased last night after Premier Goh Chok Tong of Singapore agreed partially to reopen an investigation into a double murder for which a Philippine maid was hanged in the island state last month.

Manila's President Fidel Ramos, after speaking to Mr Goh about the case of Ms Flor Contemplacion, said the two countries' foreign ministers would make arrangements for a joint post-mortem on one of the victims, Ms Delia Maga, a Philippine woman who had also worked as a maid in Singapore.

She and a three-year-old Singaporean boy were strangled in 1991. Exhumed from her burial place in the Philippines, her body was found to have such extensive bruises from an evident beating that a Philippine presidential commission concluded last week that the culprit was likely to be a man.

Mr Goh also agreed to a request by Mr Ramos for the replacement of Mr Tan Seng Chye as Singapore's ambassador in Manila. The Philippine leader had urged a shake-up at the embassy to encourage "more effective rapport".

The president earlier suspended the unrelated Ms Alicia Ramos as Philippine ambassador to Singapore and fired her predecessor, Mr Francisco Benedito, alleging "neglect of duty, ineptness and incompetence" in dealing with the murder trial.

The moves form a significant climbdown by Singapore following a war of words which had escalated in recent days to the point where bilateral ties were in jeopardy.

Late on Tuesday, the Singapore government issued a 14-page press statement which described as "absurd" the findings of the commission set up by Mr Ramos to investigate the case. It categorically rejected the conclusion that Ms Contemplacion had been a victim of injustice.

Mr Ramos, under pressure ahead of congressional elections next month, had threatened to cut ties with Singapore if it was proved Ms Contemplacion had been wrongly convicted. Any severing of relations would be unprecedented in the Association of South-East Asian Nations to which both countries belong.

Tony Walker

ASIA-PACIFIC NEWS DIGEST

Warrant issued for 'biscuit king'

Singapore issued an arrest warrant yesterday for Mr Rajan Pillai, head of Asia's largest biscuit empire, who absconded to Bombay after being convicted of criminal breach of trust and cheating. He was found guilty on Monday of siphoning S\$13.8m (£6.1m) from Britannia Industries, of which he was managing director, to pay off debts and despoiling the company into paying S\$10.2m for a trademark bought for only S\$1.

Mr Pillai, 47, a former London-based executive of BJR Nabisco, established Britannia in the island state in the late 1980s and expanded through buying regional subsidiaries of the US group as it was broken up by Kohlberg Kravis Roberts, its new owner. He entered joint ventures with BSN of France and Coca-Cola, facilitating the soft drink giant's return to his native India. Britannia's annual sales grew to some S\$700m.

Singapore is expected to seek the extradition of Mr Pillai, who left the island on a second or false passport and jumped S\$3m bail. His lawyer said he did not know the whereabouts in India of the man dubbed the "biscuit king". Our Foreign Staff

Japan agency warns on yen

The Japanese government's official economic forecaster warned yesterday that the yen's sharp rise and the fall in share prices may have "adverse effects" on the economy. The warning, in the Economic Planning Agency's monthly report, is the first time the EPA has admitted that the turmoil in the world's currency markets may jeopardise the recovery.

Despite this, the agency believes that the economy is still in gradual recovery. Industrial investment, while sluggish, has generally stopped falling, except among some manufacturers. The broad economic impact of the January earthquake was small and restricted to the region around Kobe, it said.

The EPA's moderate confidence is not shared by 200 of Japan's largest companies, surveyed by the Nihon Keizai Shimbun economic daily. They expect pre-tax profits to rise by just 5.1 per cent in the current fiscal year to next March, assuming that the dollar stabilises at Y85, according to the survey, published yesterday. William Douglas, Tokyo

ADB reins in new loans

New loan and equity commitments by the Asian Development Bank fell 28 per cent to \$3.7bn (£2.3bn) last year, following increased focus on the quality of individual projects and a reassessment of the capacity of some members to absorb new loans. But loan disbursements, which include payments under previous loan agreements, rose 25 per cent to a record \$5.7bn, the bank said in its annual report. This reflected better project implementation in India, Bangladesh, Pakistan and Indonesia, and a substantial increase in disbursements to China.

Unlike the World Bank, which is now receiving net payments from its members as loans are repaid, net resource transfers by the ADB to its developing members are increasing. Net transfers, which are new loan and equity disbursements less principal and interest payments and other charges, rose to \$1.1bn from \$931m. The increase came despite a \$347m pre-payment by Indonesia which meant that country experienced a negative net transfer of \$413m for the first time. Peter Montagnon, Asia Editor

Chinese reactor to stay closed

The first reactor at China's biggest nuclear power station will remain shut down until Framatome, its French manufacturer, deals with a problem over its control rods, the plant's Hong Kong shareholder said yesterday. Mr Ross Sayers, chairman of Hong Kong Nuclear Investment Co, a unit of the China Light and Power utility, said the Unit One reactor at Daya Bay, about 50km north-east of Hong Kong, was still under warranty from Framatome.

"The reactor was supplied by Framatome and they are responsible for solving the problem of their equipment," he told Hong Kong legislators. Unit one was shut down for refuelling and tests last December, but it remains off-line after it was discovered that the "drop time" for some of its 53 control rods was longer than normal. AFP, Hong Kong

Thai 'link' to illegal logging

Thai companies are working actively with Khmer Rouge guerrillas in Cambodia in illegal logging and exporting activities, according to a report published by Global Witness, a London-based environmental group.

The report, based on a five-week undercover investigation earlier this year, also reinforces the widely held view that timber has been crossing from Cambodia into Thailand, in spite of Thai government claims that the border has been closed to the forest products trade.

"We have clear evidence of continued Thai commercial support for the Khmer Rouge," said a member of the Global Witness investigation team.

The illegal logging, a mainstay of the Khmer Rouge's finances since the end of Chinese support in 1991, has resulted in widespread environmental damage in Khmer Rouge-controlled areas, according to Global Witness. Forest cover has been cut to about 35 per cent of Cambodia's land area this year from about 74 per cent in the early 1970s. Hoig Simonian, Environment Correspondent

NZ insider trading claim

An insider trading action is to be brought against Fay Richwhite, the New Zealand merchant bank, its Capital Markets subsidiary, and three former Bank of New Zealand directors. Fay Richwhite said yesterday that Mr Donald Kincaid, a former BNZ shareholder, had been given leave to proceed with his claim of insider trading in a decision released by High Court Justice Trevor Henry.

The action arises from the sale in late July 1990 of 10m BNZ shares to the National Provident Fund for NZ\$9m (£3.7m). The shares were held by Capital Markets Equities and owned beneficially by Fay Richwhite, then called Capital Markets. Just over three months later BNZ disclosed it had more than NZ\$20m in non-performing loans and required a massive capital injection.

Fay Richwhite said the judge indicated Mr Kincaid had an "arguable" case. "However the judge has also commented that the case cannot be classed as 'strong' and that its prospects of success are 'little more than marginal'," the company said. AFP, Wellington

OBITUARY: CHEN YUN

Veteran whose fortunes flowed with Deng's

If Mr Deng Xiaoping were tempted to doubt his own mortality, such thoughts should have been laid to rest with the death this week at 90 of Mr Chen Yun, a former comrade and sometime rival who was one of the more influential figures of China's post-1949 period.

The two veterans had been among the few survivors of the historic leadership of the revolution. Their fortunes had ebbed and flowed more or less in tandem, yet in recent years their respective visions of a modernising China had diverged.

Mr Chen, in poor health since the mid-1980s, had proved a counterweight to Mr Deng's ambitions for accelerated free market reforms of China's economy, arguing these risked undermining Communist party control and causing chaos.

But contrary to some accounts, Mr Chen was no hardline ideologue opposed to China's reform and opening. Rather, his differences with Mr Deng related to the pace of change. He feared a headlong rush to reform and was an advocate of strong central planning until his death.

"The bird should be allowed to fly, but only in the cage," he wrote in the 1980s concerning economic liberalisation. "If there is no cage, the bird will escape."

This was born the Chen Yun "bird cage" theory of economic

reform that earned him his reputation as a hardliner and opponent of change. But in fact he played an important role in the early stages of Mr Deng's reforms and was a close political ally until the mid-1980s when their differences over economic policy caused them to drift apart.

It was Mr Chen who had proposed after the 1976 arrest of the "Gang of Four" (Chairman Mao's widow and supporters) that Mr Deng should return to leadership positions in the party from which he had been removed during the Cultural Revolution. Mr Chen then supported the opening to the west, reforms of agriculture including the establishment of free markets, the use of foreign capital, and an overhaul of the pricing system.

In the late 1970s in China these ideas appeared quite radical, but by 1985 Mr Chen's enthusiasm for Mr Deng's reforms had begun to wane; from then on he became a critic of the Dengist experiment. His reputation as a gain-sayer derived in part from a speech he delivered in 1985 to an extraordinary national conference of the Communist party.

Then, he said: "We are communists and our goal is to build socialism... the planned economy's primacy and the subordinate role of market regulation are still necessary."

Mr Chen also rallied against



Chen Yun (left) with Deng Xiaoping at the opening of the 13th party congress in October 1987. Photo: Reuters

what he described as "decadent capitalist ideology". This was characterised by "worship of money" which was exalting a "serious corrosive influence on our party's work habits and social mores".

If there was a theme he returned to often in his later years it was the need to combat corruption, which he regarded as a serious and growing threat to the party's credibility, and in this he was correct.

Mr Chen's austere beliefs and work habits had been apparent since his early days as an underground member of the Communist party in Shanghai where he had worked as a printer with little formal education.

A survivor of the Long March, he was appointed a vice-premier in 1949 when the Communists took power. He helped draft China's first post-revolution economic plan, but

fell into disfavour after criticising Mao's Great Leap Forward which brought famine to wide areas.

Purged at the onset of the Cultural Revolution in 1966 and stripped of most of his formal posts, Mr Chen returned to the politburo with Mr Deng at the third plenary session of the 11th Central Committee in 1978.

The veteran official served on the ruling standing committee of the politburo, along with Mr Deng, until 1987, when both retired to make way for a younger generation; but Mr Chen's influence lingered through like-minded protégés. In 1988, he was the moving spirit behind a savage austerity campaign aimed at quelling inflation that had peaked at about 30 per cent.

Some have argued that the retrenchment, which slowed the economy to a crawl, contributed to the student and

worker unrest of 1989. Mr Chen, who advocated a hard line in dealing with the Tiananmen protesters, is unlikely to have evinced much sympathy for this sort of criticism.

After his retirement from the politburo in 1987, Mr Chen's public appearances became fewer, and when he did surface he was much enfeebled. The Chinese public's last view of him was early in 1994 when he was shown on television receiving visitors in Shanghai. Mr Deng also made his last public appearance at that time.

China's leader would have had the satisfaction of knowing that as far as reforms were concerned, his will had prevailed, although Mr Chen's worries about the dangers to party rule of the excesses of the latest period may come to be realised... if corruption remains unchecked.

Tony Walker

Harbinger party dreams up wheeze to weaken yen

By William Dawkins in Tokyo

Drastic problems sometimes demand drastic solutions.

That was the mood yesterday in Japan's New Harbinger party led by Mr Masayoshi Takemura, the country's finance minister, struggling for ways to curb the sharp rise in the yen, which is threatening to choke Japan's fragile economic recovery.

Mr Takemura's followers in the NHP, smallest member of the three-party ruling coalition, have been casting around for ideas for inclusion in a government economic package, to be unveiled on Friday.

The package will aim to help stabilise the currency markets. The "NHP backroom boys' latest yen-weakening wheeze, according to party gossip, is crude yet startling. The idea is to encourage foreign investors to sell yen by driving up the cost of holding the Japanese currency.

The measures being talked

about at NHP headquarters, it is said, include suspending non-residents' exemptions on withholding tax for Japanese treasury bills, ceasing to pay interest on foreigners' yen exemption for yen bonds issued by private institutions overseas.

Officially, NHP headquarters says it is simply studying the yen problem and has not put forward any ideas to its coalition partners. The finance ministry says it has not been informed of the NHP's latest thoughts, though officials there are said to be tickled by the idea.

It all sounds like one of those trial rites that typically get flown in the early stages of an idea in Japanese politics. It may take off, if enough influential people support the proposal, which in this case seems unlikely, given the foreign uproar it would create and the damage it would inflict on the government bond market.

If it does prove to be a no-hoper, it will be discreetly folded away, without ever having been officially launched.

The main problem with the plan is a practical one. Among the biggest purchasers of the yen in recent weeks have been risk-averse Japanese institutions rather than foreigners.

Asian central banks have been big buyers of the Japanese currency. So taxing foreign investors would fail to hit the real target and at the same time offend important neighbours.

Yet it all goes to show the strong current of feeling in Japanese political circles, that the source of the exchange rate turmoil is foreign, rather than domestic.

Perhaps it is not such a bad idea after all, since rumours of the NHP's radical solution were cited by foreign exchange dealers as having contributed to a slight rise in the dollar in Tokyo yesterday.

Tokyo governor urged to back credit union rescue

By Gerard Baker in Tokyo

The Japanese government yesterday called on the newly-elected governor of Tokyo, Mr Yukio Aoshima, to reverse his campaign pledge and back a rescue package for two collapsed financial institutions.

Mr Masayoshi Takemura, finance minister, claimed Mr Aoshima could not just walk away from the proposed bail-out for Tokyo Kyowa and Anzen credit unions. Later, a senior official of the Bank of Japan turned up the heat on the new governor, warning of the dangers for the financial system if he abandoned the rescue plan.

The two credit unions collapsed in December with bad loans of more than Y120bn (£988m). Their failure led to the launch of a lifeline by the authorities, piloted by the Bank of Japan and including support from other financial institutions. The Tokyo metropolitan government, which had

been legally responsible for supervising the institutions, was asked to contribute Y300m in low-interest loans to the scheme, but in February the city's assembly rejected the proposal, and voted instead to leave the decision to the incoming governor.

Popular opposition to the bail-out intensified when it emerged that the presidents of the two credit unions were under investigation for alleged fraud and false accounting. Throughout the election campaign, Mr Aoshima said he would drop the plan if elected. Following a stunning victory on Sunday over a candidate backed by the national ruling coalition, he reiterated his opposition to the package.

But yesterday, Mr Takemura said he hoped Mr Aoshima would change his mind and demonstrate his understanding that, as the institutions' regulator, Tokyo had to accept some financial responsibility. For the Bank of Japan, Mr

Minoru Masubuchi, director of the bank's financial and payments system, said if Mr Aoshima threw out the plan, it would create a "difficult situation" for the fragile financial system. Mr Masubuchi told a committee of the House of Representatives investigating the rescue that the package would need some reviewing if the metropolitan government would not contribute to it.

In the same evidence, Mr Masubuchi went further than the Bank of Japan has gone before in describing the relationship between one of the credit unions and Long Term Credit Bank of Japan, one of Japan's largest banks.

He said LTCB had been "deeply involved" in the business of Tokyo Kyowa. Previously, central bank officials had said only that LTCB bore some responsibility for the failure of the credit union. LTCB has repeatedly denied suggestions that it was in de facto control of Tokyo Kyowa.

The Financial Times plans to publish a Survey on
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NEWS: THE AMERICAS

Menem eyes a second presidential term

Opinion polls indicate Argentine president has every chance of electoral success, writes David Pilling

General Juan Domingo Perón is the only Argentine president this century to have been re-elected to successive terms. Next month, Mr Carlos Menem, the man who has spent the past six years dismantling much of Perón's legacy, will seek to emulate him by pursuing a second presidential term.

Opinion polls, although notoriously unreliable in Latin America, indicate Mr Menem has every chance of success in the mid-May elections.

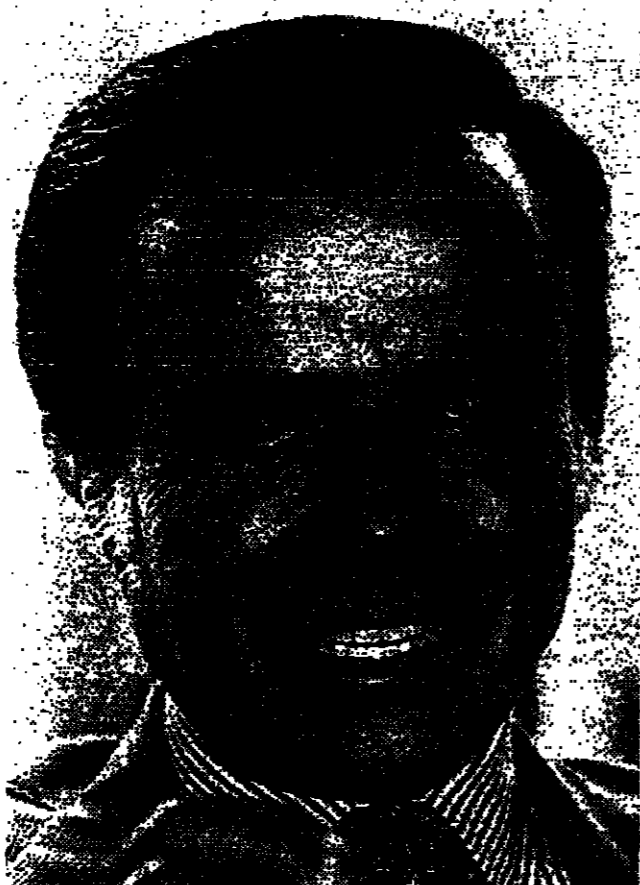
Most show him with more than 40 per cent of electoral support, against some 28 per cent for Mr José Octavio Bordón, candidate for the centre-left Frepaso coalition, and less than 20 for the Radical party's Mr Horacio Massaccesi.

Mr Menem's margin, however, is not nearly as comfortable as he would like. To avoid a politically damaging, even risky, second-round run-off, he must win more than 45 per cent of the vote, or above 40 provided he has a 10-point margin over his nearest rival.

Mr Bordón has in the past weeks become the focus of opposition to Mr Menem as support for the Radical ship. Some polls put him on nearly 30 per cent, close to the level that could force a second-round contest in June.

Mr Bordón, a senator and former governor of prosperous Mendoza province, has the image of an "hombre serio" - a serious man - with experience of office.

A conservative who stresses family values, Mr Bordón, a Peronist dissident, sits oddly at



Carlos Menem: seeking to emulate Juan Perón

the head of a newly constructed coalition that gained its following through fiery attacks on corruption and on the government's perceived defence of big business.

Mr Bordón has borrowed some of the discourse of the left, especially in demands for a more egalitarian free-market

model. He has plenty of ammunition in the form of rapidly rising unemployment, talk of recession, a train of government corruption scandals, and the miserable state of many provinces.

But the rather uncharismatic candidate does not stir the passions of Argentine workers,

whose allegiance remains largely to Peronism. He seems more comfortable voicing concerns of the Argentine middle class, an important section of which feels its privileges slipping away.

Some political analysts believe that, to stand a real chance, Mr Bordón must define his policies more clearly, especially on the vital subject of the economy.

So far, however, he has proved reluctant to be pinned down, fearing perhaps that to be too specific risks alienating some sectors of Frepaso's fragile coalition.

Mr Massaccesi has had more difficulty still in defining a credible set of policies, and often seems at odds with his own advisers. His discomfort reflects disarray within the Radical party, Argentina's oldest, whose image as an opposition force has been battered since the signing in 1983 of a pact with the Peronists.

This handed Mr Menem the opportunity of seeking re-election by amending the constitution, which had banned successive terms.

Mr Massaccesi has paid the price, losing support to his Frepaso rival. His misery increased in February when the provincial finances of Rio Negro province, of which he is governor, unravelled, and unpaid public employees took to the streets.

Although Mr Massaccesi has sought to blame Rio Negro's difficulties on the credit crunch precipitated by the Mexican financial crisis and unfair treatment from central government, voters have cast-

gated him. Newspapers have asked whether a man apparently incapable of administering a small Patagonian province is fit to run the nation.

Mr Menem has been largely content to watch the opposition tear itself asunder. But, when in campaigning mood, the president is a powerful defender of his six years in office. "I took over an Argen-

Economic stability is Mr Menem's election ace. Many Argentines have seen their purchasing power rise and have gained prized access to credit

tina submerged in chaos and corruption and turned it into a nation that is growing, producing and progressing," he says.

Argentina has indeed been transformed: the economy has been liberalised, tariffs reduced and corrupt, loss-making state companies privatised. Foreign policy, for years singularly independent, has become more mainstream and US-oriented. Foreign investment is actively encouraged and, until Mexico's December devaluation, was responding to the invitation.

Such policies, says Mr Menem, have brought average annual growth of nearly 8 per

cent since 1991, Latin America's highest, and inflation of below 4 per cent, its lowest. Many Argentines, who recall with horror the hyperinflation that ravaged the country in the late-1980s, have seen their purchasing power rise and have gained prized access to credit.

Indeed, economic stability is Mr Menem's election ace. The financial crisis that has shaken Argentina in the aftermath of Mexico's devaluation has, if anything, strengthened his hand, with the president insisting his administration alone can manage the crisis and avoid devaluation.

Mr Menem has even been able to push through spending cuts and tax rises only weeks before presidential elections without wreaking havoc on his poll ratings. It seems that many Argentines will tolerate harsh measures - including the threat of recession, higher unemployment and even wage cuts - in return for the preservation of hard-won stability.

Mr Massaccesi is fed up with the adulation of government economic policy. "Stability is like water," he says. "You need it to live, but with water alone you can't survive. Menem and Cavallo are pure water."

Mr Bordón may well think the same. But both he and Mr Massaccesi will have to tread very carefully. Criticism of economic policy too much and they may appear to endanger stability. Criticism too little and voters may wonder why they should swap allegiance. "Why would you vote for a carbon copy," scoffed one Peronist, "when you can have the real thing?"

AMERICAN NEWS DIGEST

US gun maker faces law suits

Relatives of seven people killed in a gunman's rampage can sue the manufacturer of the assault weapons he used for damages, a San Francisco judge said in a precedent-setting ruling. San Francisco Superior Court Judge James Warren said on Monday the families could go ahead with wrongful death suits against the gun manufacturer, Navegar of Miami.

Mr Dennis Henigan, a lawyer for the Centre to Prevent Handgun Violence, a gun control group allied with the victims' families, said it was a landmark ruling. "It establishes for the first time that if companies in the gun industry put on the market weapons of war that have no legitimate use, they may be held accountable for the violence that is the inevitable result of that conduct," he said.

An attorney for Navegar denied the company was responsible and said the company may appeal against the ruling.

The case stems from a shooting on July 1 1993 at a San Francisco office block when a gunman went on a shooting rampage at a law firm, killing eight people and wounding six before taking his own life. Families of seven of the victims want to sue Navegar, which makes the TEC-DC9 semi-automatic pistols used by the gunman, as well as makers of other equipment used in the incident. Lawyers for the victims' families argued that the gun manufacturer should be held liable because its products were "designed for mass killing" and it was "ultra-hazardous" to sell this type of gun to the general public. *Reuter, San Francisco*

\$3bn bill spares military cuts

President Bill Clinton has signed a \$3bn defence bill saving the military from deep cuts this year, and commended Congress for acting quickly on it, the White House said.

The bill, passed by the House of Representatives and Senate last Thursday, will replenish Pentagon accounts drained by US military operations in Haiti, Somalia, South Korea, Kuwait, Cuba and over Bosnia.

"I commend the Congress for its action on my request to replenish the Department of Defence funds used to perform contingency operations in the Persian Gulf, Somalia, Rwanda, Haiti and elsewhere," Mr Clinton said on Monday.

Mr Clinton and the Pentagon had warned that unless the money was released, severe training and combat readiness cuts would have to begin right away because some accounts are dry.

The president said he was pleased that several non-military programmes were continued by the bill, including funds for dismantling weapons of mass destruction in the former Soviet Union and helping the Russians remove troops from the Baltic states. *Reuter, Washington*

Poll puts Dole ahead of rivals

Mr Bob Dole, Senate majority leader, who formally announced his candidacy for the presidency on Monday, remains well ahead of his Republican rivals for the party's nomination, according to a poll released yesterday.

The CNN/USA Today poll said the senator from Kansas was the choice of 46 per cent of Republican voters. The poll had a margin of error of plus or minus 6 percentage points.

In second place was Texas Senator Phil Gramm with 13 per cent. Conservative columnist Mr Pat Buchanan had 8 per cent and California Governor Pete Wilson 6 per cent.

Mr Dole's rivals say his consistent poll lead reflects his superior name recognition and predict he will slip as others become better known. *Reuter, Washington*

US producer price index flat in March

By Michael Prowse in Washington

Official figures showing producer prices were flat last month were seen yesterday as further evidence that the US economy may be heading for a soft landing.

The Labour Department said the producer price index for finished goods was unchanged last month and up 1.6 per cent

in the year to March. Most Wall Street economists had expected an increase of about 0.2 per cent.

The figures raise the likelihood the Federal Reserve will keep monetary policy on hold for several months, regardless of the dollar's weakness in currency markets.

The price data is consistent with sales and employment figures, indicating economic

growth slowed in the first quarter in lagged response to interest rate rises last year. The consensus view is the economy may now be growing at an annualised rate of about 2.5 per cent, if not less, half that at the end of last year.

The flat producer price index was reassuring following monthly gains of 0.3 per cent in January and February. Excluding the volatile food

and energy components, "core" producer prices rose 0.1 per cent last month, the lowest increase since last October.

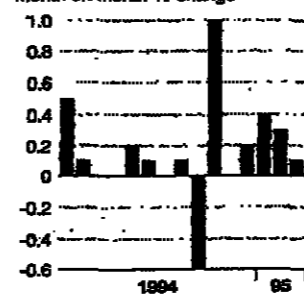
Many economists believe greater upward pressure on producer prices remains likely, despite the economic slowdown, as companies pass on cost increases on goods at earlier stages of production. So far, however, there is little evidence of this. Price pres-

sures have been offset by restrained wage inflation. Companies are also afraid they will lose market share if they pass on cost increases.

Yesterday's figures also showed inflationary pressures eased last month, if only temporarily, for crude and intermediate as well as finished goods. The intermediate index rose 0.3 per cent, but the crude index fell 1.5 per cent.

US core producer prices

Excluding foods and energy month on month % change



Source: Datastream

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Photographed by Robert Häusser

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NEWS: INTERNATIONAL

Mrs Mandela sues for wrongful dismissal

By Roger Matthews
in Johannesburg

Mrs Winnie Mandela, sacked last month from South Africa's government of national unity, has started legal proceedings against her estranged husband, President Nelson Mandela. In an effort to have her dismissal declared "unlawful and unconstitutional".

Her court action is being supported by Chief Mangosuthu Buthelezi, minister of home affairs and leader of the mainly Zulu Inkatha Freedom Party. He has submitted an affidavit backing Mrs Mandela's assertion that President Mandela had failed in his constitutional duty to consult the leaders of the coalition parties before sacking her.

In her application to the Pretoria supreme court, Mrs Mandela demands reinstatement as deputy minister of arts, culture and science, and an order requiring President Mandela to explain the reasons for her dismissal on March 27. Mr Mandela has refused to offer any explanation. Announcing Mrs Mandela's removal from office, Mr Mandela said: "I appointed the cabinet and it is my right and prerogative to reshuffle the government if I

consider it necessary for the effective functioning of the government, and I have exercised that right. When pressed for more details, Mr Mandela added: "You must accept my assurance that I have exercised my right very carefully."

Mrs Mandela is also seeking a ruling that her husband should disclose all the information which he used in reaching the decision to dismiss her.

Chief Buthelezi's involvement may reflect his difficult relations with President Mandela, particularly over the drafting of the final constitution. Mr Buthelezi has accused the majority African National Congress of reneging on an agreement signed shortly before last year's general election to provide international mediation on the IFP's demands for regional autonomy.

Last weekend Mr Buthelezi said his party would take no further part in the Constitutional Assembly, which is drawing up the final constitution, until the mediation agreement was honoured. His support of Mrs Mandela's supreme court application is probably best seen as an opportunity to put additional pressure on the ANC.

While there is undoubtedly

support for Mrs Mandela at the ANC grassroots, all the party's main organisations and senior officials supported President Mandela's decision to dismiss her. They cited her decision to ignore specific requests from Mr Mandela, and her repeated criticism of ANC policies as more than sufficient reasons.

Mrs Mandela has also been accused during the past six months of using her official position for financial gain, although none of the allegations have been proved. Police recently staged a high-profile raid on her Soweto house, but were later forced to return documents when a judge ruled there was insufficient evidence to support the granting of a search warrant.

In her latest legal action, Mrs Mandela also asserts that the letter dismissing her bore none of the official hallmarks associated with a presidential decision. Allegedly, the letter had no address, no official seal, no telephone or fax number, and nothing to indicate that it came from the head of state.

President Mandela is on a tour of Gulf countries and will not formally receive his wife's summons until his return to South Africa tomorrow.



One of 7,000 Hutus at Rwanda's overcrowded Gitarama jail. The UN yesterday moved 120 prisoners

RWANDA MAY CUT OFF AID TO 1M REFUGEES

Rwanda's government, angered by attacks from militias operating out of camps in Zaire, is debating whether to sever aid to 1m Hutu refugees in the area, by stopping World Food Programme trucks crossing its border. The UN agency said 29 trucks taking rations to camps in Bukavu were blocked at the border, and 24 were held up in Kigali, while security checks on convoys had all but stopped aid further north into Goma.

WFP, which must bring supplies across Rwandan territory from Kampala, warns of impending malnutrition. It has already cut rations in the

Goma camps from 1,900 calories a day to 968.

Rwanda's action comes amid signs tolerance of the refugees presence in the region is running out. Tanzania, hosting 750,000 refugees, has closed its border to 55,000 Hutu refugees fleeing violence in Burundi. The UN High Commissioner for Refugees is now trucking thousands back to their camps.

Aid officials are increasingly voicing doubts about the morality of sustaining camps where former soldiers are training for another invasion of Rwanda. *Michela Wrong, Nairobi*

Palestinians step up drive against militants

By Eric Silver in Jerusalem

Palestinian security forces yesterday intensified their crackdown on the Hamas and Islamic Jihad militant groups, who carried out two suicide bombings in the Gaza Strip on Sunday, leaving eight people dead and 50 wounded.

As Mr Yasser Arafat, the Palestine Liberation Organisation leader, pledged in Cairo yesterday that he was determined to disarm Hamas militants, the number of Islamists arrested by Palestinian police since Sunday's bombings rose to 200.

A military court yesterday sentenced an Islamic Jihad leader, Mr Omar Shallah, 23, to life imprisonment for inciting his followers to carry out suicide missions and other crimes, both inside the Palestinian autonomous territory and in Israel.

The same court sentenced another Jihad activist to 15 years on Monday for training boys as young as 10 for guerrilla operations. These were the court's first rulings since Mr Arafat set it up in early February.

Scattered exchanges of fire

have also been reported between police and fugitive gunmen, but no casualties were declared.

Mr Moussa Arafat, head of PLO intelligence, claimed shots were fired twice over the weekend at his Gaza City home. One of his bodyguards was hit in the leg. Mr Arafat, a cousin of the PLO chairman, has been leading the hunt for Islamic activists.

Mr Fathi Abu Medin, Palestinian justice minister, has given Palestinians in the Gaza and Jericho enclaves until May 11 to register their guns. "We

are going to start, maybe next week, to disarm people and collect all the rifles," he said in Gaza, "and maybe we are going to let them keep only pistols or personal weapons."

Mr Yossi Beilin, Israeli deputy foreign minister, said in Jerusalem yesterday: "I cannot say that the Palestinian Authority is doing enough, but I can say that there are some signs which are positive."

It is, however, doing enough to incense the militants. Mr Imad Falouji, a spokesman for Hamas, the larger of the two Islamic groups waging war on

the peace agreement, yesterday denounced the arrests.

"The situation is getting very bad," he said. "If it is not solved quickly in a correct manner, there could be an explosion."

Hamas's military wing, Izz al-Deen al-Qassam, warned Mr Yitzhak Rabin, the Israeli prime minister, not to rejoice at the arrests, which he had urged on the PLO.

It advised Mr Rabin to "prepare as many coffins as possible" for his soldiers and settlers, whom it would hit inside Israel.

Complacency the winner in Zimbabwe poll

By Tony Hawkins in Harare

President Robert Mugabe's ruling Zanu-PF party was relishing its fourth successive electoral victory in Zimbabwe's parliamentary elections yesterday. In 1990, and again this week, the electorate has handed Mr Mugabe the *de facto* one-party state that he vowed to create in the 1980s.

In a 54 per cent voter turnout - far higher than expected - Zanu-PF won more than 82 per cent of the vote and 118 of the 120 elected seats, 55 of which were uncontested.

The ethnically based opposition Zanu (Ndonga) party, which drew nearly half its 6.5 per cent of the total vote from a handful of constituencies in the Eastern Districts, will be the sole opposition in parliament, with two seats. Another 20 seats are nominated by the president and ten by traditional leaders, giving Zanu-PF 148 of the 150 seats - one more than in 1990 when it won 147 seats. The other main opposition party, the Forum, did not come even close to winning a seat.

Some will argue that President Mugabe's absolute power will strengthen his government's hand in pushing through unpopular economic reforms, including substantial cuts in public spending, especially defence, increased reliance on user-charges for social services, civil service retrenchment and privatisation.

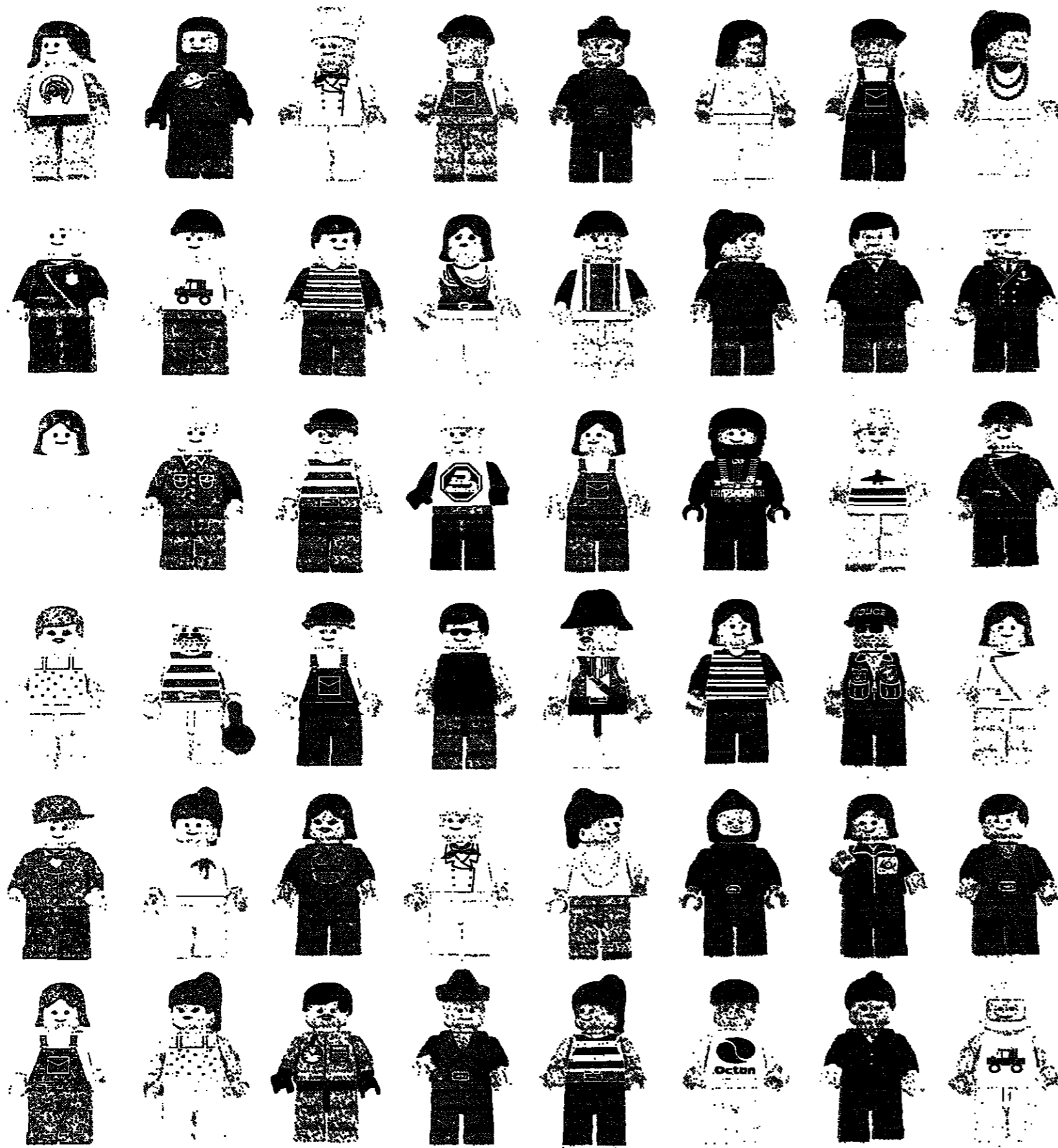
In a meeting with the Donor Consultative Group last month

in Paris, the government pledged to cut public spending and reduce the budget deficit, which, in the first half of fiscal 1994/1995 stood at Z\$2.9bn (£212m), double the targeted 5.5 per cent of gross domestic product for the 12 months to June 30.

However, there was nothing in the campaign or the ruling party's manifesto to suggest that it is ready to adopt the radical new policies necessary to solve the fiscal crisis caused by government overspending and overborrowing. This suggests that the stimulus for change will have to come from outside and that reform will continue to be driven by the donor community, the IMF and the World Bank.

Moreover, many in business worry that the absence of parliamentary opposition, the reluctance of business leaders to take on the government in public, and state control of most of the media, will further entrench the complacency so apparent both during the campaign and in the election results. The results are unlikely to have any impact on foreign investment, though Mr Mugabe's campaign threat to tighten the government's grip on the economy, preventing companies from retrenching workers or closing down, will not help investor sentiment.

In his final campaign speech the president singled out the Lonrho subsidiary, David Whitehead textiles, warning that if Lonrho no longer wished to operate it, the government would take over.



Models courtesy of The IBCO Group

SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left.

You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand.

We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps).

But we are asking that you keep an open mind. And a smile of welcome.

It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

UNHCR Public Information
P.O. Box 2500
1211 Geneva 2, Switzerland



UNHCR

United Nations High Commissioner for Refugees

US puts brakes on Nafta tariff cuts

By Bernard Simon in Toronto and Nancy Dunne in Washington

The three signatories to the North American free trade agreement (Nafta), Canada, the US and Mexico, have quietly shelved plans for a round of accelerated customs tariff reductions.

The proposal for faster cuts than those envisaged in Nafta was raised when the US, Canada and Mexico implemented the pact at the beginning of 1994. But negotiations have been overshadowed by Mexico's economic crisis, and by talks on Chile's accession to Nafta.

A Canadian official said that the US appeared to have lost interest in the exercise and that no further talks were scheduled.

Under Nafta, the three countries are due to dismantle their tariff barriers gradually over 10 to 15 years. But a variety of importers and exporters in all three countries have expressed interest in a more rapid process.

The US list submitted to Mexico included flat glass, household appliances and wine, among other items. Applications from all three countries covered about 100 products.

The proposal for accelerated Nafta tariff reductions follows three similar exercises which were successfully implemented within the framework of the 1989 US-Canada free trade agreement.

Tariffs on hundreds of items valued at about \$6.5bn were eliminated between 1990 and 1993. They included telecommunications equipment, photographic film, golf bags and electric blankets. An important criterion in the negotiations was that the cuts had to be acceptable to importers and exporters on both sides of the border.

According to a US official, however, Mexico agreed only reluctantly to participate in the Nafta exercise.

GE fails to reopen turbines bids

By Judy Dempsey in Berlin

General Electric of the US has failed to obtain an injunction that would have reopened bidding for a turbines contract at an east German electricity plant.

GE maintains that a decision by Veag, east Germany's largest electricity company, to exclude its bid from the final round of bidding last autumn had been discriminatory. But Berlin's Court of Appeals has ruled that GE could not seek a

new procurement policy because Veag had already awarded the contract to ABB, the Swiss-Swedish consortium, and building had started.

GE cannot appeal again through the same court.

GE which was clearly upset by the decision, said Veag and ABB had signed the contract for two steam turbines worth about \$250m for facilities in Lippendorf only after it had initiated its first suit in a Berlin lower court.

GE tried to appeal against its

exclusion but German courts have twice thrown out its petitions before the latest case. Three administrative reviews also failed to allow the company to get back into the bidding.

After the latest hearing, GE said the decision was "one more example in a long sequence of how the German procurement system discriminates against US and Japanese bidders." It said the bidders had been denied remedies for procurement violations.

Veag, which was recently privatised by the former Treuhand agency, said that its decision to award the contract to ABB was based on objective criteria and that GE did not match the technical standards required or come up with a competitive price.

Last week US officials said that they considered resolution of the dispute between GE and Veag to be "a test" of Bonn's commitment to enforce a 1993 pact between the US and the European Union for procure-

ment of heavy electrical equipment.

Mr Mickey Kantor, US trade representative, and Mr Ron Brown, commerce secretary, have both expressed concern about GE's exclusion. In a letter to Mr Günter Rexrodt, German economics minister, they said the interests of the entire US heavy electrical equipment industry were at stake. GE's experience discouraged US suppliers from "even submitting bids in German and European markets".

Aftershocks ripple through steel market

Demand for steel for rebuilding Japan's earthquake damaged Kobe region will have a worldwide impact

By Michio Nakamoto in Tokyo and Andrew Baxter in London

Steel users in fast growing Asian markets are facing shortages and price rises as Japanese producers redirect output to the domestic market as a result of January's earthquake in Kobe.

The need to rebuild the Hanshin region in western Japan, which was severely damaged by the earthquake, is creating extra demand on Japanese steel producers' own doorstep.

"For the industry, the ability to direct product to the domestic market makes this a blessing amid a tragedy," says Mr Stephen Wolfe, industry analyst at UBS Securities in Tokyo.

In the past few years, weak demand at home has forced Japanese steelmakers to turn to exports, even though margins are lower than in the domestic market. In 1993, Japan exported 18.8m tonnes of steel to China and other Asian countries, accounting for about 10 per cent of steel consumption there.

As the rebuilding of the Hanshin area pushes up demand for Japanese steel products, some of that steel, especially beams, girders and reinforcing bars (rebar) used in construction, will stay at home.

"There are so few heavy structural steel makers in the world that this will create a hole somewhere," says one big European producer. "That should mean that prices will

firm in structural steels."

Nippon Steel, the world's largest steel company, agrees that Japanese exports are likely to fall "and that could affect world markets." Construction materials in particular might face a shortage which could affect prices temporarily, it adds.

Estimates vary on how much extra steel Japan needs. Sumitomo Metal Industries, one of Japan's largest steel producers, believes the earthquake could create extra demand for crude steel of about 3m tonnes.

Based on current information, an extra 1.8m tonnes would be needed to rebuild houses and buildings, another 1.1m tonnes to repair the infrastructure and 150,000 tonnes for increased manufacturing, it estimates.

But other observers believe the extra demand for steel could be much higher, as much as 7.5m tonnes a year for the next two years, because of refurbishment and rebuilding to prevent catastrophe outside the Hanshin area.

Meanwhile Mr John Prescott, managing director of BHP, the Australian steel producer, points out that a post-recession rise in Japanese steel demand was already under way. The effects of earthquake would accelerate the rise in demand. In Japan, increased output, distribution difficulties arising from the devastation of the Hanshin region, coupled with some amount of speculation, has already pushed up the

price of scrap, which is used as a raw material in some steel production.

Scrap prices have gone up substantially, by about ¥3,000 (\$35.70) a tonne since the earthquake, according to Daiichi Steel, the world's largest maker of specialty steel. Last month Tokyo Steel said it was raising its prices on construction steel products by up to 8 per cent, due mainly to the rise in scrap prices.

But Mr Hiroshi Saito, chairman of the Japan Iron and Steel Federation and of Nippon Steel, has said the industry will not take advantage of the situation to raise prices. Beyond Japan, price rises will be temporary and may be modest - one US analyst predicts the earthquake-related rise will be about 1-2 per cent.

Mr Wolfe at UBS says the extra demand expected from the region is a small proportion of overall worldwide demand of 800m tonnes. "There will be some impact on world prices, but nothing dramatic," he believes.

But the need for Japanese producers to redirect product to Japan has already triggered speculation of some temporary shortages on overseas markets.

The unexpected rise in Japanese demand would have the greatest and most immediate impact on users in south-east Asian countries who buy on the spot market, rather than through long-term contracts,

Japanese iron and steel exports



Volume (m tonnes)	Value (\$bn)
1992	23.5
1993	23.9
1994	23.9
1995	23.9

Source: Japanese Ministry of Finance

says Mr Ed Brogan, industry analyst at Jardine Fleming in Tokyo.

"Some users in south-east Asia are going to have to pay more, there's no question about that," he says.

Demand for steel in south-east Asia has been buoyant in recent years on the back of strong economic growth in the region. A report by Meps (Europe), the Sheffield-based steel consultancy, predicts Asian countries will be consuming nearly 47 per cent of the world's steel by the end of the decade, compared with 34 per cent in 1990.

One way shortages could be avoided in south-east Asia following reduced Japanese exports would be for rival producers to boost their sales in the region. But the other main suppliers to the region, the Korean and Brazilian steelmakers, are also facing a tightening of capacity in their home markets.

This creates opportunities for other suppliers. British

Steel, which exported more than 750,000 tonnes of steel to the Asia-Pacific region last year, believes it could help fill the gap.

Mr Peter Fish, managing director of Meps, says east European producers may also be attracted to the Asian market if the main western European suppliers are too busy meeting rising demand in their home markets.

Nippon Steel points out that it will take considerable time for earthquake-related steel orders to come through. "Plans have to be drawn up for the reconstruction and these will depend in turn on new building regulations being drawn up for greater protection against earthquakes," it says.

But whatever the consequences of the earthquake and their timing, it has highlighted the increasingly global nature of the steel industry. "It is no longer possible to be isolated in one's own domestic market from events worldwide," says Mr Fish.

Guatemala import tariff set at 10%

By Edward Oribe in Guatemala City

The Guatemalan government has introduced a uniform flat rate for import tariffs at 10 per cent in an effort to raise revenues and reduce corruption, according to an announcement by Guatemalan President Ramiro de Leon.

The decision, announced on Monday, has already been widely criticised as counter-productive and a change of direction in trade policy.

Sources close to the economy

ministry said that the minister, Mr Eduardo Gonzalez, and two vice-ministers submitted their resignations to protest against Mr de Leon's action, which reverses the ministry's stated intention to reduce tariffs on imported raw materials and primary products.

The new measures, which come into effect this week, mean tariffs on raw materials and capital goods will double and tariffs on consumer products previously subject to 20 per cent charges will be reduced.

Tariffs on cars and luxury goods will stay at the present top rate of 20 per cent, Mr de Leon said.

Mr de Leon said the uniform rate would raise this year's projected revenue from imports from 2.5bn quetzals (\$490m) to 3.3bn quetzals (\$675m), and reduce the "discretionality" of customs officials, which he said was a "root of corruption".

But Mr Juan Jose Gutierrez, president of the Influential Chamber of Industry, said Guatemala's exports would lose

their competitiveness, and local industry will find it more difficult to compete with cheaper imports.

Analysts say potential investors will now be more likely to turn to El Salvador, where the government has said it intends to cut tariffs on raw materials and capital goods to 1 per cent.

Officials say the decision to unify tariffs was part of a *quid pro quo* with the Guatemalan Republican Front, the main party in congress, in exchange for its support for a series of taxation initiatives.

Taking phones to rural India

US West is finding solutions for new markets, writes Shiraz Sidhva

When US West India, a subsidiary of US West International, was awarded a license earlier this year to construct a \$10m pilot project for India's first privately operated telephone network, some in the telecommunications industry muttered that the government had unduly favoured the US telecoms company.

But Ms Boli Madappa, managing director of US West India, denies the company made a backdoor entry. Before winning permission to operate in India, the company spent four years adapting its technology to the specific needs of Indian subscribers. "It's not like we came here yesterday," she says.

The pilot licence was announced on January 16, the same day the government began distribution of tender documents for private bidders to enter the Indian telecommunications market. US West India says the coincidence sparked the controversy.

US West will invest \$100m in the \$1bn project, working with local partners to provide an integrated broadband wire-line and fixed wireless network in the southern Indian state of Tamil Nadu. The pilot project covers four secondary switching areas including the cities of Salem, Coimbatore, Erode and Dharmapuri, comprising both industrial and rural areas.

Following the government's announcement of a new telecommunications policy last year, US West had to submit a new letter of intent, two years after its original proposal.

The company's national proposal envisages initial direct foreign investment of \$20m, and formation of a company

with a capitalisation of \$120m. During the first year, the basic plan involves investment of \$80m-\$90m through vendor contributions and funds from US West and BPL, its Indian joint venture partner.

US West signed joint venture agreements with the Bangalore-based BPL consumer electronics group in 1993. "Partnering is a very important part of doing business internationally. What we look for are complementary skills," says Ms Madappa. She says the "degree of comfort with BPL is high" and BPL will continue to be US

one of four Asian countries, with Japan, Malaysia and Korea, to be targeted by US West in 1990. "The Indian telecommunications sector was still closed to foreign investors when we began exploring the market," she said. "We were convinced we could do business in India before most other telecom companies ventured here."

The company prepared two prototypes in Haryana near Delhi and in Tamil Nadu to convince the government that it had the answers to India's unique problem of being a

geographical areas.

"When AT&T was divested, we got large geographical areas where states like Wyoming, Nebraska and Idaho had populations of less than 1m," Ms Madappa stated. "US West was forced to work out solutions where no networks existed." In one case, a satellite system was installed to serve a handful of customers in a far-flung region.

The government has defined the project as a pilot one, because it envisages inflow of new technology, management techniques and foreign equity up to a limit of 49 per cent.

If US West is not selected to operate basic services in the areas it has chosen, its asset and network will be transferred to the private operator which wins the tender or to the Department of Telecommunications. "We have no intention of becoming the third operator (after the state-owned telecommunications network currently in place and the future private sector operator)," said Mr H. Laird Walker, the company's Washington-based senior vice-president.

The Department of Telecommunications, which currently runs telephone networks across the country, has taken more than two years to grant contracts for radio paging and cellular telephone networks across the country.

The slow pace of reform has actually worked in US West's favour. Technical solutions that were too expensive in 1990, had become affordable by 1993 as microchip costs plummeted. Setting up in India has been "a positive experience" in spite of the controversy, says Ms Madappa.

"The sector was closed to foreign investors when we began exploring the market. We were convinced we could do business before most other telecom companies ventured here"

West's joint venture partner for other projects.

US West will also bid to offer telephone services within Tamil Nadu and other parts of the country, through an open tender system which closes on April 28.

Its pilot project plans suffered a temporary setback in March when a legal challenge to the validity of the award was filed in the Madras High Court. The petition argues the award was arbitrarily granted and that it denied the consumer a choice to opt for the best technology.

But US West denies this and is finalising details with the telecommunications department.

Ms Madappa says India was

vast, over-populated country with one of the lowest telephone densities in the world. Ms Madappa says more than 40 technical experts have visited India in the past three years before devising the projects.

The regions in the pilot project comprise agricultural land and rural communities, and a small number of industrial centres. The project has a rural component of 31 per cent, higher than the government stipulation to ensure that more villages are connected. "US West's policy of regionalising the business fitted in well with the Indian government's plans," says Ms Madappa.

US West has learned from its US experience how to serve populations spread over large

WORLD TRADE NEWS DIGEST

Suzuki targets Hungarian plant

Suzuki is considering boosting its investment in Hungary by F22m-F23m (\$17m-\$25m), Magyar Suzuki, its local subsidiary said yesterday. The Japanese car maker, under pressure from the high yen, is exploring ways to increase the local content of cars produced in Hungary, including further investment at its plant at Esztergom in northern Hungary and in the local car components industry.

Magyar Suzuki, which is 55 per cent owned by Suzuki, has invested around \$20m in Hungary since 1992. This year it intends to begin production of a three-door version of the Suzuki Swift, a small family car, and to assemble four wheel drive cars for Subaru, a division of Fuji Heavy Industry. Magyar Suzuki aims to export 30,000-35,000 cars, around half its production, to the European Union this year. Last year, it became the first Japanese company to export to the EU from a manufacturing base in eastern Europe. Under Hungary's association agreement with the EU, cars produced in the country with 60 per cent EU and local content, can enter member countries duty-free. *Virginia Marsh in Budapest*

India to end quotas by 1997

India's consumer goods sector will be fully opened to foreign investment by 1997, Mr Tejinder Khanna, India's commerce secretary, said yesterday. Quantitative restrictions on consumer goods would be replaced by tariffs in the next two years, he added. His remarks, made at a meeting with a Philippines business delegation, have allayed fears among foreign consumer goods companies that the government would give more protection to domestic industry. Mr Khanna said more goods had been added to the government's Open General Licence list, which allows unrestricted imports, and an equal number of goods have been placed under the Special Import licence category. *Shiraz Sidhva, New Delhi*

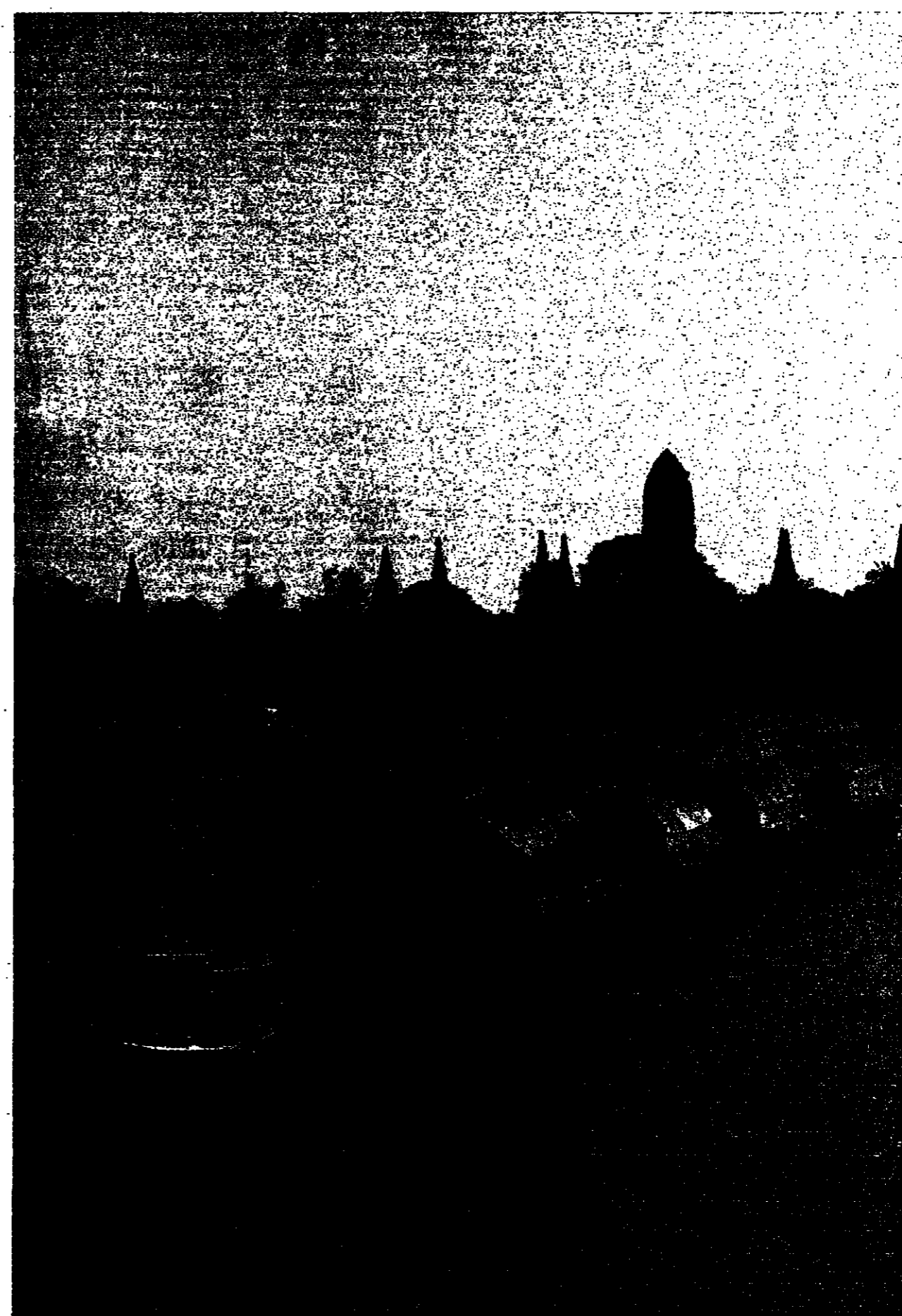
The Taiwanese cabinet's Development Fund has decided to invest T\$32m (US\$12.4m) to take a 20 per cent stake in an engine company to produce locally designed engines in a bid to upgrade the car industry and reduce reliance on Japan. The company, capitalised at T\$1.6m, will be a 35-65 per cent joint venture between the government and four private companies and will be established this month. *Reuter, Taipei*

A consortium consisting of Malaysia's YTL, Singapore's Kelang Container Terminal and Timco of Indonesia has signed a memorandum of understanding to build a \$1bn container terminal on Tanjung Sau, Batam, Indonesia. The consortium is expected to start the terminal project by the end of this year. *Reuter, Jakarta*

Burma has bought \$40m of railway and other transport equipment, including locomotives, rolling stock and spare parts, from China. Burma's ministry of rail transportation signed an agreement in Rangoon on Monday to buy the equipment from the China National Complete Plant Import and Export Group (Yunnan). Burma will buy \$5m of trucks and buses and \$35m of railway equipment. *Reuter, Rangoon*

The Burmese city of Bagan has signed a memorandum of understanding with Mandarin Oriental Hotel Group for a \$23m hotel. The hotel, set amid landscaped gardens, will have 100 suites and will open in mid-1997. *AFP, Hong Kong*

Abitibi-Price of Canada is to install thermo-mechanical pulping facilities at its Iroquois Falls, Ontario and Alma, Quebec mills. The pulp and paper producer said this would improve efficiency. *Reuter, Toronto*



Probably the best beer in the world.

NEWS: UK

Santer's straight talk on Ulster peace funds

By John Murray Brown in Belfast

Mr Jacques Santer, the European Commission president, said he wanted "straight talk" and that is exactly what he got yesterday after he opened a conference in Belfast to discuss implementation of the European Union's Ecu 300m initiative for Northern Ireland.

Mr Santer's first encounter was with a social worker from the loyalist Shankill Road, who warned: "The middle classes must not be allowed to carve up the peace dividend for their own benefit."

Making his first visit to the UK since becoming president last year, Mr Santer promised

The Irish government last night announced that seven IRA prisoners would be released starting tomorrow in a further bid to underpin the peace process in the run-up to Easter, a crucial event in the republican calendar. The IRA members, all of whom were due for release

with standard remission before the end of 1996, were imprisoned for firearms possession and in one case armed robbery.

The release is still holding around 30 IRA prisoners, most of whom are expected to be let out by Christmas as part of the on-going review of the prisoner issue by

the Fine Gael-led coalition. Dublin's initiative will fuel new demands from republicans for prisoner releases in Northern Ireland, where the UK government remains adamant that convicted terrorists should serve out the sentences handed down by the courts.

The commission intended to target those most directly affected by the troubles, "those who have been victims of the troubles, those who might have been prisoners, even those who have been taking part in terrorist actions."

In answer to concerns that the EU initiative would duplicate existing aid programmes for the province, Ms Wulf-Mathies stressed that the initiative must make a "separate and distinct contribution."

There was, however, one brief moment of discomfort for Sir Patrick Mayhew, the Northern Ireland Secretary, when Mr Santer called on the British government to match the EU with fresh money for the peace process.

delegates from some 350 community organisations to put Ulster's problems at the top of his agenda.

The conference, sponsored by the commission and the European Parliament, was arranged to discuss how to implement the EU aid package agreed in December to underpin the peace process.

With so much aid targeted for Northern Ireland in the wake of the paramilitaries'

ceasefire, groups across the religious divide are lining up to take advantage of the funding windfall.

Yesterday there were demands from Irish language activists and ecumenists, from disabled and children's groups and even a local arts body.

Prof Mary McAleese, pro vice-chancellor of Queen's University, ruffled a few unionist feathers when urging the EU to support education which

had helped her "to break down the cell door."

Under the package, which is expected to be adopted by the end of April, the EU is targeting small and medium-sized business and community projects, 20 per cent of the total funding going to the six border counties of the Irish Republic.

"We don't want to ask multi-nationals here with our money," said Ms Monica Wulf-Mathies, the EU commissioner

in charge of regional programmes. The commission is flagging the aid package as a "bottom-up" approach to the problems of the province.

Ms Wulf-Mathies said the commission did not want it to be "a European initiative decided in Brussels." Instead, it should be determined by "the people who have suffered most and need our solidarity. We want people to have a feeling they are part of the game."

Tunnel highlights infrastructure obstacles

Andrew Taylor on difficulties for new privately-financed projects

The permanent state of financial crisis experienced by the Channel tunnel project emphasises the difficulties faced by bankers, investors and contractors preparing bids for a new generation of privately financed infrastructure projects.

Eurotunnel's continuing struggles to generate sufficient revenue to meet interest payments on its borrowings serve as a warning to investors preparing bids to finance new motorways, prisons and hospitals.

How do you calculate the cost of a project which may take several years to complete, for a customer which may be driven by political expedient rather than commercial logic and based on earnings which may be determined by economic circumstances prevailing several decades away?

It is not easy to forecast future traffic volumes, interest movements or plan for Home Office decisions which could affect future costs of running privately managed gaoles.

Changing economic circumstances may can reduce road usage. Environmental controls might become more strict increasing the cost of motorway. Petrol tax might be doubled. Drivers still have the alternative of using of public

sector roads on which no tolls are paid.

What happens if there is a riot at a privately run gaoil and it is unable to receive prisoners? Investors would face no income and a large repair bill. These risks have to be costed by potential investors and included in their tender.

Officials, accustomed to letting public sector construction contracts, on margins of one or two per cent, have still to come to terms with the higher returns being demanded in return for operators accepting a higher level of risk.

Civil servants were aghast at the size of preliminary bids for two privately financed prisons at Bridgend, south Wales and Finsbury, Merseyside. They have since reduced some of the more onerous contract conditions in an effort to cut costs.

Investors originally had been told that fees for prisoners would be on a fixed price during the first five years. Fees over the next 20 years would be indexed to allow for inflation but there would be no means of recovery should inflation race ahead in the early years.

The Home Office also would have been allowed to seize the gaoil and other assets, before the end of the concession, should the department deem that contract terms had been breached.



Sir Alastair Morton has blamed increased costs on stricter than expected safety regulations

It is very difficult to budget for future political decisions. Sir Alastair Morton co-chairman of Eurotunnel has blamed stricter than expected safety conditions, following the Kings Cross rail and Zebrugge ferry disasters, for a lot of the increased cost of the Channel tunnel.

The construction industry believes new a rail link between the tunnel and central London would have been almost completed by now but for a political decision to disallow the preferred southern approach, which passed through a number of marginal Tory constituencies.

The gulf between what contractors and investors think they should be paid for accepting higher investment and operational risks, and what the Treasury considers as acceptable, remains wide.

Risk allocation and how it should be costed remains one of the biggest hurdles for government departments and agencies which retain responsibility to provide and pay for services, such as health, education and prisons, even though they may be owned and managed in the private sector.

Government will even continue to be the pay-master for roads, where it had hoped to

pass the purchasing responsibility to motorists.

The Treasury instead has agreed to allow the transport department to pay shadow tolls, based on vehicle usage, avoiding any direct extra charge to motorists, who might otherwise might use alternative public sector "free" roads.

The arrangement has removed a large element of risk to the private sector operators. Even so transport department officials are expected to blanch when they see the side of bids submitted shortly for the first four design build, finance and operate motorways.

VSEL to buy rights to Swans designs

By Chris Tighe

Price Waterhouse, receivers to Swan Hunter, said yesterday they had sold the Tyneside shipbuilder's Intellectual Property Rights to VSEL, the Barrow-in-Furness, Cumbria, based submarine builder.

The price was not disclosed but is believed to be approaching £1m (£1.59m).

Acquisition of the IP, which includes estimating data and information on naval vessel construction, underlines VSEL's determination to diversify back into surface warship building after a decade in which its orderbook was dominated by nuclear submarine building.

The sale is tinged with irony: the IP includes designs for fast patrol craft, a market Swans was hoping to enter when, in May 1993, it was tipped into receivership by VSEL, beating it in the fight for a Ministry of Defence helicopter carrier order.

The deal underlines how little hope remains of selling Swan Hunter as a shipbuilder. Price Waterhouse said it had delayed sale of the IP as long as it reasonably could in the hope it might enhance the prospects of selling the Walstead yard, Swans' main shipyard, as an operational unit.

In the light of last week's announcement that an auction of plant was now being planned, it was not appropriate, said the receivers, to delay the IP sale further.

Among companies which had, at some stage, expressed interest in the IP was Vosper Thornycroft, the Southampton based fast patrol boat builder. Chief executive Mr Martin Jay said yesterday his company did not put a very high value on it; he said he was not perturbed VSEL had acquired it.

Maple leaf welcome for 'fishermen's ally'

By Roland Aulburgham

Maple leaf flags decked the Cornish port of Newlyn yesterday to greet the Canadian high commissioner, who came to thank the local fleet for backing his country in its fishing dispute with Spain.

Mr Royce Frith, the commissioner, described his visit as "a wonderful and heartwarming experience." He in turn handed out nearly 200 more flags - signed by Canadian federal MPs - and stressed the value of Newlyn's support.

"What we want is worldwide attention, not confrontation," he said.

"We're all at fault - Canada has overfished. We're not angels - we've contributed to the problem. We must all contribute to the solution. We're making so much progress - we're so close it's really just a matter of time. We're just trying to find a way to have the Spanish not block a deal."

Mr Andrew Munson, Newlyn's harbourmaster, agreed the issue was a worldwide problem of fish conservation and not confined to Spain, although the

port had had problems due to Spanish fishing practices for 25 years. "At last, someone else has listened to us. We have got an ally."

Newlyn's flagwaving solidarity with Newfoundland began when Mr David Hicks, a local skipper, started to fly the maple leaf emblem on his boat. More flags were then sent by the Toronto Star newspaper and the Cornish Fish Producers' Association, based at the port, invited the commissioner.

Mrs Elizabeth Stevenson, the association's secretary and whose family com-

pany has 36 boats at Newlyn, said: "If something is not done we will have a problem similar to Canada, with communities being devastated. We don't support Canada's cutting of nets, but we understand why they've done it."

Newlyn is one of the UK's leading fishing ports, with 150 boats and an annual turnover of over £22m. Mrs Stevenson said: "Newlyn has been a very successful port, but we are seeing changes and financial changes. There is a very fine line between making pay and not making pay."

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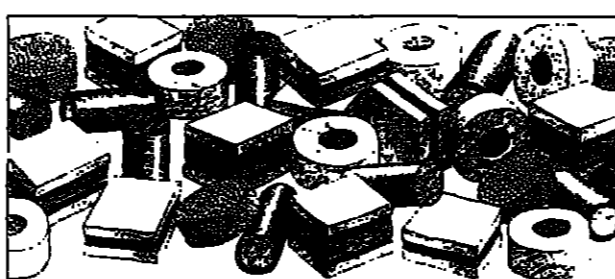
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Prices for electricity delivered to the consumer (excluding VAT) in England and Wales, based on the 1994/95 winter average, per kWh			
12 hour	peak	off-peak	night
0000	8.17	6.17	5.17
0100	8.16	6.16	5.16
0200	8.15	6.15	5.15
0300	8.14	6.14	5.14
0400	8.13	6.13	5.13
0500	8.12	6.12	5.12
0600	8.11	6.11	5.11
0700	8.10	6.10	5.10
0800	8.09	6.09	5.09
0900	8.08	6.08	5.08
1000	8.07	6.07	5.07
1100	8.06	6.06	5.06
1200	8.05	6.05	5.05
1300	8.04	6.04	5.04
1400	8.03	6.03	5.03
1500	8.02	6.02	5.02
1600	8.01	6.01	5.01
1700	8.00	6.00	5.00
1800	7.99	5.99	4.99
1900	7.98	5.98	4.98
2000	7.97	5.97	4.97
2100	7.96	5.96	4.96
2200	7.95	5.95	4.95
2300	7.94	5.94	4.94
2400	7.93	5.93	4.93

Prices are indicated for every half-hour in each direction, including VAT, for the winter period. The winter period is defined as the period from 1 October to 31 March. The summer period is defined as the period from 1 April to 30 September. The prices are based on the 1994/95 winter average. The prices are based on the 1994/95 winter average. The prices are based on the 1994/95 winter average.



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السؤال الأول

Senior Tories rally to defence of minister

By James Ehliz

Senior figures in the Conservative party yesterday rallied to the defence of Mr Jonathan Aitken, the embattled chief secretary to the Treasury, as he considered whether to take further legal action against the media over allegations concerning his business dealings.

Following a television programme that focused on links between Mr Aitken and members of the Saudi royal family, senior Tories - led by Mr Jeremy Hanley, party chairman - said they had full confidence in the chief

secretary's ability to do his job. In another indication that the cabinet is prepared to give strong backing to Mr Aitken, Mr Hanley gave him "full support" and said he had been right to issue a writ against The Guardian newspaper, which made similar allegations about Saudi links earlier this week.

Mr Hanley told a news conference at Conservative Central Office: "Jonathan Aitken's right was to bring his action, to take out writs. The prime minister has given him support and backing in that, and that is the situation as it exists."

But the chief secretary yesterday stepped back from his threat to take immediate action against Granada TV's World In Action programme following the screening of a documentary on Monday evening.

A statement issued on his behalf said that he and his legal advisers would be studying a transcript of the programme in the next few days. It added that they would examine individual contributions to the programme and "a number of recent press articles, particularly those by The Independent".

This last reference is to a recent

story highlighting Mr Aitken's former role as a non-executive director of BMARC, a company which allegedly broke government guidelines by sending arms to Iran during the 1980s.

Colleagues of Mr Aitken made clear yesterday that their decision to consider further legal action did not imply that they were "backing off".

However, a source close to the minister categorised the World In Action programme as "poor-quality stuff". He added: "Never have I been so overwhelmed about something so over-hyped, but we still have to consider it very carefully."

Yesterday's developments came as Mr Stephen Dorrell, the national heritage secretary, tried to calm the growing controversy over the activities of the press, saying that he did not favour the introduction of more extensive privacy legislation.

As the government comes under increasing pressure from senior Tory backbenchers to introduce laws aimed at protecting the privacy of individuals, Mr Dorrell underlined his "very clear preference" for press self-regulation using currently structures such as the Press Complaints Commission.

UK NEWS DIGEST

Union deal with French water subsidiary

Britain's GMB general union yesterday signed a recognition agreement with Ecover, a subsidiary of SAUR, a French utility company which has contracts in the UK water industry and local government services.

The agreement would mean around 900 workers employed by the company in the UK would enjoy full negotiating rights, the union said. Ecover has contracts with around 20 local authorities and an annual £40m turnover in the UK. "We believe strongly in good and clear relations with our staff," said Mr Dick Barnhoorn, Ecover's chairman. "This is particularly important when staff change employer from a local authority to our company. We also believe in partnerships with the trade unions and our clients. Today's deal underpins those aims."

The agreement says the company will recognise the European Union transfer of undertakings directive which ensures workers covered by compulsory competitive tendering will not suffer cuts in pay or conditions of employment.

"Any proposed changes in terms and conditions of employment or working arrangements will be the subject of negotiation with the union at the appropriate local level in accordance with agreed local procedures", it said. The Ecover agreement also says both sides agree "there will be no disruption of work or changes to existing arrangements until the agreed procedures for resolving differences have been exhausted". Robert Taylor, Employment Editor

Germans 'still late payers'

European customers of British exporters are continuing to pay their bills more promptly as economic conditions on the Continent improve but Germany remains a late-payment blackspot, NCM Credit Insurance said yesterday.

The Cardiff-based company's quarterly survey found that value of payment delays in the European Union as a whole fell for the sixth successive quarter by 21 per cent in the year to March 31. This compared with a 32 per cent reduction in the 12 months to the end of December.

"The biggest improvement came in Italy where there was a 36 per cent fall in the value of payment delays. But the proportion of UK exporters suffering a loss due to companies failing to pay their bills remained unchanged at 25 per cent, the same as in the last survey. British companies were having particular difficulty in Germany, where payment delays rose 7 per cent in the year ending March 31. PA News

Debit card use increases

Transactions using debit cards overtook those using credit cards for the first time last year according to statistics published yesterday by the Credit Card Research Group.

The number of debit card purchases at £87m was 3m higher than the number of credit card transactions in 1994, but credit cards still accounted for the majority of spending in terms of volume: it totalled £26bn, against £22bn for debit cards. While card issuers will be encouraged by the levels of growth in both types of card use, a less welcome trend is likely to be the fact that borrowing on credit cards - where card issuers earn interest - is increasing at a lower rate. In 1994, spending on credit cards rose by nine per cent, but borrowing increased by only six per cent, a contrast to 1991. Alison Smith

Non-meat eaters at record

Nearly seven million people, 12 per cent of the UK population, no longer eat meat, according to a Gallup survey today.

Although the number of non-meat eaters has risen by 284 per cent over the last decade to record levels, the meat industry is likely to take some comfort in the report's conclusion that health issues rather than animal welfare concerns are driving the trend away from meat. Leading supermarkets have feared that recent outcry over veal crates and live animal exports to the EU could erode supermarket meat sales.

With a record 4.5 per cent of the population vegetarian, the results help explain the recent turmoil in the meat industry, that saw the closure of 1,000 high street butcher shops last year and contributed to forcing Dewhurst, the butcher and main subsidiary of Union International, into receivership last month. James Harding

Crackdown on tourist buses

Police in nine counties in the west and south of England are to mount their biggest ever safety clampdown on holiday buses and coaches this summer. Operation Tourist follows a series of checks showing that up to 60 per cent of vehicles had defects.

Police and Department of Transport inspectors will check at random passenger-carrying vehicles using the region's holiday routes. They will be co-ordinated by Avon and Somerset police and also involve the Hampshire, Wiltshire, Thames Valley, Gloucestershire, Dorset and Devon and Cornwall forces. In earlier checks, 60 per cent of 72 buses and coaches examined at Southsea, Hampshire, had defects and half the 236 buses and coaches stopped in Avon, Somerset and Devon were defective. PA News

Procter & Gamble lead spenders on advertising

By Diane Summers, Marketing Correspondent

Spending by the top 100 advertisers in the UK increased by over 25 per cent to £2.38bn (£3.78bn) last year, with British Telecommunications moving up to second place behind Procter & Gamble in the league of companies with the largest advertising budgets.

The increase shows a renewed confidence both in the economy and in the power of advertising, said Marketing Week, which commissioned the study by Register-Meal, a survey organisation, published in today's issue of the trade journal.

The rise in advertising spending was spread across all marketing sectors, with office automation/telecommunications, financial, household durables, cosmetics and toiletries showing the largest increases, the survey found. Out of the largest sectors, only drink saw a fall in budgets.

Spending on TV, radio, press, cinema and poster advertising was tracked for the survey.

Procter & Gamble, the US consumer goods company, topped the league for the fourth year running with a 24 per cent increase in spending to £118m. Its health and beauty company increased spending by 41 per cent to £55m.

TOP 10 ADVERTISERS					
Rank 1994	Rank 1993	Company	Spending 1994 £m	Spending 1993 £m	% change
1	1	Procter & Gamble	118	95	24
2	4	BT	103	81	26
3	2	Unilever (Lever Bros)	72	70	3
4	5	Ford	70	57	23
5	3	Kellogg UK	69	62	11
6	6	Vauxhall Motors	60	51	18
7	9	Procter & Gamble (Health and Beauty)	55	39	41
8	11	Dun Stores	49	36	36
9	10	Unilever (Birds Eye Walls)	44	39	13
10	13	Pearson Talbot	41	37	11

Source: Marketing Week

Unilever's Lever Bros was replaced as the second largest advertising spender by BT, which has upped its budget from £65m in 1992 to £101m in 1993 and £103m last year. Most of the spending has been directed at getting people to use the phone more frequently and for longer calls.

The financial services sector has steadily increased its spending in recent years, according to the survey: 1992 and 1993 each saw 33 per cent rises, while last year's budgets increased by 36 per cent.

The leading spender in the sector, at £28m and in 24th position overall, was Abbey National, while Halifax Building Society was second in the sector with £26m, up 14 per cent on 1993.

Dixons Stores, at £49m, was the highest-spending retailer for the third year running, with Tesco (£33m) and McDonald's (£31m) coming in second and third.

Overall spending in the retail sector grew by 8 per cent, with only Texas Home-care, the DIY chain, retreating back with a 25 per cent reduction in advertising spending, found Register-Meal.

In the travel sector, British Airways topped the league with spending of £15m. P&O European Ferries and Sealink Stena both spent more last year in the run-up to the opening of Channel Tunnel services. P&O increased spending by 61 per cent to £5m, while Sealink increased 58 per cent to £7m.

Accountants censured in Barlow Clowes inquiry

By Jim Kelly, Accountancy Correspondent

Accountants connected to the collapse of Barlow Clowes, the fund management group, yesterday suffered a series of unprecedented penalties following a six-year professional investigation.

The accountancy profession's watchdog, the Joint Disciplinary Scheme, excluded three chartered accountants from practice and ordered costs totalling nearly £300,000 against a total of ten.

The severest penalty is faced by Mr Julian Pilkington, a former partner with Spicer & Oppenheim, who was ordered to pay £100,000 costs and excluded from the Institute of Chartered Accountants in

England & Wales. Mr Pilkington, who resigned from the firm in 1990, said yesterday: "At no time during these investigations, which have taken a great toll on my personal and professional life, was I ever accused or found guilty of any dishonesty, lack of integrity or personal wrongdoing."

A statement issued by the JDS said Mr Pilkington's "professional efficiency and competence" was so far below the standard expected of a partner responsible for audit work that it brought the profession "into serious disrepute."

The Barlow Clowes affair involved a number of companies controlled by Mr Peter Clowes. In 1988 they collapsed and nearly 20,000 investors were stranded. In 1993 Clowes

was jailed for 10 years on charges of theft and fraud. Total losses after the collapse of the fund management business reached £150m.

Spicer & Oppenheim, which merged in 1990 with Touche Ross, acted for parts of the Clowes' business in the UK providing a range of services - including audit work. Losses from these parts of the Barlow Clowes group totalled just £3m.

A spokesman for Spicer & Oppenheim said yesterday: "A scheme which permits expulsion, in circumstances where there has never been any suggestion of dishonesty or lack of integrity, is arbitrary and unfair."

The JDS is to publish its final report on the Barlow Clowes affair later this year.

Pensions compensation tops £16m

By Alison Smith

Britain's financial services industry will have to pay more than £16m (£25.44m) for the year to the end of last month to compensate victims of poor advice, negligence or fraud who were customers of companies in the sector which have gone out of business.

The £16.6m total is lower than the equivalent £17.5m figure for 1993/94. Within that total, however, companies in the retail financial services sector will pay almost exactly the same as in the previous year - £15.8m - and companies

in other parts of the sector will have less to pay. £4.7m of the bill is for compensation payments relating to claims from previous years.

Payments to victims are channelled through the Investors Compensation Scheme, set up in 1988 to provide a safety net for investors who are entitled to redress but find that the company responsible for their predicament has gone out of business. It bills the financial services regulators, which in turn impose a levy on those they regulate.

Last year was the first in which regulators shared out

the bill under arrangements set up by the Securities and Investments Board, the chief City watchdog, to separate the compensation payments for different elements of the financial services sector. The SIB's aim is that organisations in one area of business do not have to bail out companies in other parts of the industry.

Almost 60 per cent of the claims for 1994/95 relate to home income plans, while the next largest category relates to general negligence claims. All but three of the 52 investment companies declared "in default" by the ICS for 1994/95

were financial intermediaries or brokers.

In future, claims for poor personal pensions advice are expected to become more of a feature. Regulators have not yet resolved how compensation payments to victims on behalf of companies which have gone out of business should be shared among the retail financial services sector.

An agreement, which seems bound to mean life companies picking up at least some of the bill for independent financial advisers which cannot meet their liabilities, still appears to be several months away.

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disarray in London, was fundamental to its success - which has been largely responsible for the FT's good health over the past difficult decade.

Alan Hare retired in April 1984. His enduring, shy, but always friendly presence at the FT office in Bracken House was missed; the then editor, Sir Geoffrey Owen, in an appreciation that voiced the feelings of all the staff, wrote that his contribution to the paper could "not be measured in purely business terms... it stemmed from his understanding of the newspaper's editorial objectives and his determination to maintain its quality and independence".

He went to Chateau Letour, which he greatly enjoyed (and where his public speeches in French were even more embarrassing to everyone - most of all to himself - than those in London).

The affection, and respect, of all of his colleagues were never in doubt. He was a civilised and kind man of quiet charm, fascinated by politics, active as a countryman and also as an opera buff. His professional monument will be the international edition of the Financial Times.

He is survived by his wife Jill, his son Mercury, his daughter Marcia and five grandchildren.

OBITUARY

Alan Hare: former FT managing director

Alan Hare, who has died at the age of 76, enjoyed three distinguished careers.

For 20 years he was a soldier-spy of unpublikable distinction. He came to the Financial Times where, more publicly, he ran this newspaper in the 1970s and early 1980s as managing director, chief executive and chairman in turn. He then went on to a job which is, in the opinion of some, the world's most desirable pre-retirement occupation, the chairmanship of the great premier cru wine estate, Chateau d'Yquem, then owned by Pearson (which also owns the FT), where he stayed from 1983-1990.

When he came to the FT in 1963 (after a brief spell in the group's Industrial and Trade Fair), it was not denied that he was "family". He was a younger son of the Earl of Lisdowne; his elder brother, the Tory politician John Hare, was the brother-in-law of Lord Cowdray, the controlling shareholder of Pearson. Lord Cowdray died this year. (To complicate the family tree, Alan Hare's daughter Marcia is married to Pearson's present chairman, Lord Blakenham, who is the nephew of the late Lord Cowdray and the son of John Hare, who became the first Lord Blakenham.)

But Alan Hare was his own

man by evidence of his own independent career. After Eton and New College, Oxford (he was born in March 1919), he entered that world of wartime special operations and post-war "diplomacy".

Hare's war in Albania, where one winter he shared a cave with the future President Hoxha while the German troops scoured the mountains for them, was as dangerous as any; he was to lose various toes from frostbite on his eventual retreat, and to be awarded an MC. His *Who's Who* entry records a mere "Foreign Office 1947-1961", which can be a euphemism for a career in British intelligence.

Alan Hare emerged from the secret world in 1961 at the age of 42. He rose rapidly at the FT, where he was managing director 1971-73, chief executive until 1983, chairman 1978-84, and a director of Pearson Longman 1973-83.

Throughout the 1970s the FT suffered a sustained crisis.

But while the British press - including the FT - stagnated, Alan Hare committed the company to the internationalisation of the paper; its European edition (which has been the basis of the company's subsequent growth) was launched in 1979. His personal commitment to this ambitious and risky project, at a time of widespread

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RECRUITMENT

JOBS: Research shows that variety is the spice of business success

The grit that cultures pearls

Recruiters have been scratching their heads for years in an effort to define common features among successful business leaders. A new study carried out by Ruth Tait, a London director of Korn/Ferry Carré/Orban International, the executive search firm, suggests that no adequate checklist exists.

Publishing a collection of insights into the career choices and decisions of 18 business leaders, Tait found that their only consensus was on the impossibility of drawing up a set of attributes that define leaders. All agreed, she writes, that business leaders come in all shapes and sizes with different styles, strengths and weaknesses.

Given that the list of interviews included such luminaries as Martin Taylor (chief executive, Barclays Bank), Archie Norman (chief executive, Asda), Sir John Egan (chief executive, BAA) and Lord Sheppard (chairman, Grand Metropolitan), it might have been expected to have hit on some particular common theme in their backgrounds, that grit in the oyster.

Might it have anything to do with birth order? Not in this sample. Youngest children were the largest single group, with nine in that category, followed by four middle children, two eldest children and two who were only children. Studies of larger samples, however, have suggested that youngest and

eldest children are usually more assertive than those in between. What about social origins? Not relevant. Those in the sample were equally likely to come from working class as middle class families. Nor did early schooling have anything to do with predicting success. Oxbridge had some but hardly a convincing amount of influence. Four of the 18 were Oxbridge graduates.

Most of those interviewed could identify so-called formative experiences, circumstances which drove them to excel and take early charge of their lives, although there was no common experience of feeling unloved in childhood – often perceived by psychoanalysts to be a motivator of people who are driven to succeed. There was, however, some support for the theory that lack of love in childhood or some other adversity was an important early motivator. Sir John Harvey Jones, former chairman of ICI, and Gerry Robinson, chief executive of Granada, both concurred with this.

A higher proportion of the leaders, however, suggested that positive aspirations of parents or school

were prime early motivators in engendering self belief. Another group, including Liam Strong, chief executive of Sears, and Lord Sheppard, identified early poverty influencing their drive to be financially independent.

While Tait acknowledges these varied early motivators, she found that most of those questioned were fundamentally motivated by what psychologists call "intrinsic" factors: the challenge or interest of the job itself and doing it well.

This would tend to question the approach of company remuneration committees to top people's pay. If the prime motivation is the job itself and not the money, why do company chiefs pay themselves so highly? Money was not dismissed as unimportant by all, particularly not by some who had little in their youth. But no one, says Tait, was primarily motivated by money. John Egan called it the "lingua franca of business – the better you do, the more money you get".

Perhaps the most revealing finding was the lack of early ambition in all of those questioned to be a chief executive of a large company.

Very few, says Tait, had a clear and specific goal for their working lives.

If there was consensus on anything, it was over the importance of luck to success, with some of those interviewed perceiving luck as the product of hard work and not just pure chance. Many were either ambivalent or dismissive of the idea of career planning.

Not one of the business leaders supported the importance of understanding organisational politics or of cultivating an image. Substance and performance was rated most highly.

Not surprisingly, perhaps, it was one of the younger generation, Archie Norman, who made some telling observations about the need for recognition, what he called the comfort factor when business objectives had been achieved. This is also the stage, he says, when chief executives tend to place excessive value on their position and status. "That is when you start to become less effective," he says.

Roads to the Top: Career Decisions and development of 18 Business Leaders by Ruth Tait, published by Macmillan Business, price £20.

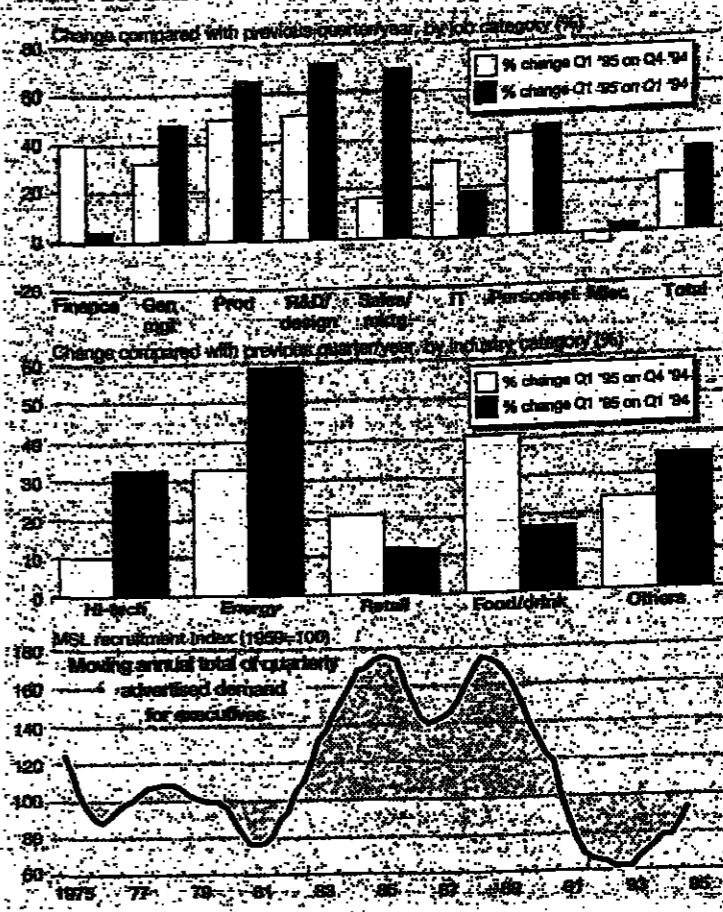
Signs that UK companies are at last casting away the hesitancy that has so far characterised the economic recovery are apparent in the latest survey of advertised demand for executives conducted by MSL International, the recruitment consultant. The MSL index has moved through its 100 base set in 1993 for the first time since 1990 to stand at 112 – or 93 seasonally adjusted (as on the right-hand chart). This reflects an increase in advertised recruitment of executives of 34 per cent since the first quarter of 1994 and of 23 per cent since the end of last year.

Ian Lloyd, MSL group managing director, says that all job and industry categories are showing significant increases. "For the first time since 1992, when the index fell to all time low, this demonstrates real confidence in the future across all sectors of British industry," he says.

The highest demand has been in research and development, sales and marketing and production.

Richard Donkin

MSL recruitment index



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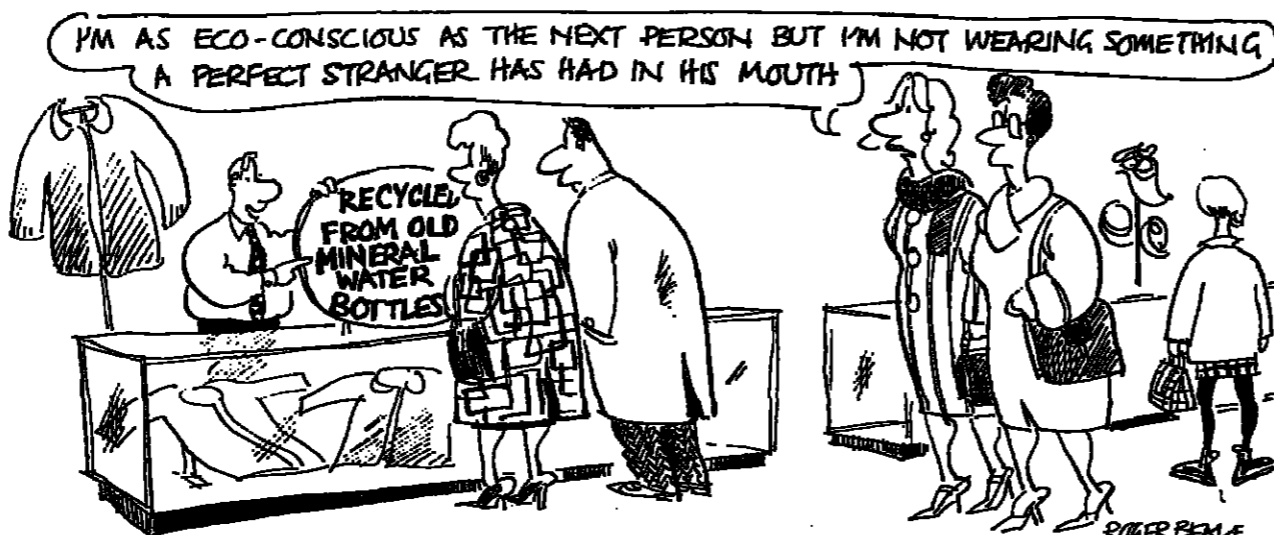
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BUSINESS AND THE ENVIRONMENT

Clothing made from recycled bottles is set to become a commercial reality, reports Haig Simonian

Plastic fashion



Next time you're strolling down Bond Street or Fifth Avenue, check out that smartly dressed person with the heavy pullover and walking jacket. Cashmere? Alpaca? Mohair? Maybe. But recycled plastic?

The craze for à la mode eco-consciousness is still in its infancy. But if recent developments in the chemicals and textiles industries continue at their present pace, it may not be long before a sweater or jacket made from recycled bottles becomes as essential a fashion accessory as the Hermès scarf or the Prada bag.

At a press show in London recently the Brasher Boot company, a small British concern, unveiled Europe's first fleece jacket made from recycled polyethylene terephthalate (PET), the clear plastic used in soft drinks bottles. The zip and thread were not purpose-made, but almost everything else was 100 per cent re-used.

Across the channel in France, Rhovyl, a specialist textiles group, has recently started making yarn comprising 70 per cent polyvinylchloride (PVC) mineral water bottles and 30 per cent wool. The fabric, which is being used by a number of designers, feels as soft, supple and warm as natural wool.

Chris Brasher, the former athlete and current chairman of the London marathon, says recycled materials are forming an increasing part of his company's output.

The group, based in Cumbria, began life as a niche manufacturer of walking shoes when Brasher, who jointly held UK distribution rights for Reebok footwear, struck out on his own after failing to find walking shoes that met his demands.

The company has recently diversified from shoes into clothing. "We turned to recycled fleece on commercial as well as environmental grounds," he explains.

Lightness and comfort have always been crucial for hiking clothes, as they are often carried in backpacks. Warmth and durability are also important. Recycled PET meets all three demands, while being environmentally friendly to boot.

The recent launch of Brasher's Mountainmaster jacket is a breakthrough in Europe, and possibly the world, as previous products have used fleece with a maximum 80 per cent recycled content, he says.

The material comes from Dyersburg, a US knitting company based in Tennessee. It pioneered recycled fibres in the early 1990s with Wellman, the second-biggest US producer of polyester fibres, and Patagonia, an eco-conscious Californian technical clothing maker.

The three wanted to replace virgin polyester - the normal

basis for fleece - with recycled material. "The US produces about 1.8bn pounds of PET plastic containers a year," explains Judith Langan, Wellman's director of communications.

"That's equivalent to 180bn soft drink bottles each year," Wellman had been using recycled polyester in its fibres since the mid-1980s. However, the source was "post industrial" (that is, seconds) from big manufacturers such as Celanese and Du Pont.

But as plastic started to displace glass in drinks containers, the group turned its attention to old bottles. In 1992, by which time Americans were consuming 2.5m plastic soft drinks containers an hour, the time seemed ripe for innovation.

explains Langan. "America's solid waste crisis was becoming acute while environmental awareness was reaching new peaks."

Hence Wellman's decision to develop a new polyester fibre based on recycled PET. "We figured if we could just market it, we'd be on to a winner."

The resultant fibre, called EcoSpun, was launched in 1993 and contained 80 per cent recycled PET. Dyersburg spun it into yarn and knitted it into fleece, which was then sold to Patagonia to be made into a jacket.

The pioneering product was available in only one style and colour at the start.

But the new fibre received an ecstatic welcome from environmentalists. To optimise its commercial prospects, Wellman's market researchers said it had to reduce the denier

(thickness) of the fibre and maximise its recycled content, while ensuring that quality would not be compromised by using ever more second-hand bottles. By August 1994, Dyersburg, again working with Wellman, unveiled the world's first yarn based on 100 per cent recycled PET.

Research was proceeding along much the same lines in France. The country's problem with discarded plastic bottles was almost as acute as America's, as around 4bn containers are thrown away each year.

But instead of PET, about 80 per cent of the French bottles were made from PVC, used to hold the myriad mineral waters for which the country is famous.

In September 1993, Rhovyl, a small synthetic fibres company from eastern France, started

looking into recycling PVC. "Recycling was already being done in the US, but it was new to Europe," says Alain Regad, Rhovyl's chairman and main shareholder. Moreover, as the French drinks market was dominated by PVC, Rhovyl had to develop a proprietary process rather than licensing the American PET technology.

Both processes need to turn the plastic into a liquid. But whereas PET bottles are first cut up and then melted, prior to filtration to remove impurities and extrusion to form a fibre, PVC has to be dissolved in a solution of acetone and carbon sulphate, as it cannot be melted down.

Removing impurities is essential in both cases. Complex filtration to remove substances such as polyethylene caps and chemical additives to improve shock resistance mean production costs for recycled materials are higher than for virgin plastic, explains Regad.

The market for the recycled textiles is still relatively small. After being spun into yarn at a specialist subsidiary, and sold on the market, Rhovyl's fibre is now starting to reach the shops. The first, and still biggest, client is Charles Dubourg, a French knitwear producer, which unveiled its range last November. Each of its pull-overs is made of 27 PVC bottles. More designers are expected to jump on the bandwagon in time for the autumn-winter 1995 season, says Regad.

But it will take some time for Europe to catch up with the US, where Wellman now has more than 100 customers and Dyersburg alone supplies 22 textile and clothing groups. Prices are relatively high, admits Cici Gordon, a public relations official for Dyersburg. "The recycled fleece is about 7-10 per cent more expensive than normal polyester fibre. But the difference is not necessarily passed on to the customer," she adds.

Rhovyl is also aware it must not overtax the market at this stage. Although its recycled fibre is dearer to make than fibre based on non-recycled PVC, "we sell it at the same price," says Regad.

Prices could fall, although that will depend partly on raw material costs and demand. Wellman gets its bottles either from kerbside collection bins or directly from municipal recovery facilities in the US states operating obligatory recycling schemes.

Both Wellman and Rhovyl are confident about the future. "We've shown that this isn't just a trend. It's not going to go away," says Langan. Regad, meanwhile, already has some more ideas up his sleeve. "The thread could be used for a range of products, such as socks, gloves or blankets," he says. "Or it could also be mixed with other yarns, such as mohair or silk, to make wholly new materials."

It is probably too soon for Australia's sheep farmers to start worrying about their livelihoods. But with so many innovations in the pipeline, wool producers may be advised to keep alert before someone dreams up a scheme to recycle their Fosters cans, too.

Mutant peas pack potential

James Harding on new uses for the much maligned vegetable

Peas, usually found in supermarkets' frozen goods sections, will soon be available in a variety of new forms ranging from lipstick to explosives, from pesticides to paper.

At the John Innes Institute, an independent British research centre in Norwich, CMF Hedley and Trevor Wang are manipulating the genetic composition of pea seed with a view to increasing the use of peas in animal feedstuffs and producing a raw material for industry.

The new strains of pea could be on the market in less than five years, offering European farmers, who produce around 4.5m tonnes of peas each year from about 1m hectares, alternative markets for peas and a profitable use for land set aside under European Union farm rules.

The pea mutants mark a growing trend in agriculture, where increasing consumer and political support for renewable resources is fuelling the development of non-food uses for crops.

The mechanics of the pea modifications are as follows: peas come in two forms, either wrinkled, full of starch and primarily used for animal feedstuffs, or round, lower in starch but higher in protein and sugar, and more suitable for human consumption. Whether peas are round or wrinkled is determined by one gene. By manipulating that gene, Hedley and Wang can alter the levels and constituent parts of the starch, protein and oil in the pea to meet industry needs.

Modification of the gene can, for example, change the pea's starch content to boost amylose, a long, unbranched chain of carbons, with a key role in making biodegradable plastics. Alternatively, other mutants of the seed promise to lift the oil level, thereby offering possibilities for use in pharmaceuticals and cosmetics.

The most promising market, according to Hedley, is for starch. As well as being a large constituent of many foods, industrial uses for starch include paper making, adhesives, plastics and explosives. Although starch is a large component of all cereals and most pulse and tuber crops, difficulties in extraction in most crops make cultivation for starch production uneconomic.

With the mutant pea, Hedley predicts farmers could be harvesting 2.5 tonnes per hectare of high value starch for industry from a crop of about 5 tonnes of peas per hectare.

What is more, starch from modified peas will be more environmentally friendly. "Starch from potatoes or maize often needs to be modified for industry using chemicals that can be damaging to the environment. It is far better to carry out the modifications at source, by altering the natural inputs," he says.

From the farmer's point of view, the emergence of industry-oriented crops broadens their market horizons. "With a number of small volume, high-value crops coming on line in the next five to 10 years, the potential for agriculture is very exciting," says Jonathan Pettit of the UK's National Farmers' Union.

"Modified seeds, such as the pea, will create new markets and give farmers alternative crops."

The immediate appeal of non-food crops is that they can be cultivated on set-aside land.

Under the EU's Common Agricultural Policy rules designed to control cereal supply, arable farmers are required to leave a proportion of their land fallow. Agricultural produce explicitly for non-food use, however, may be allowed on set-aside ground.

The precedent of oilseed rape is promising for peas. According to the NFU, nearly 100,000ha of set-aside land in the UK, 20 per cent of the set-aside total, is being used to grow oilseed rape for industrial uses such as biodiesel and plastics.

Zeneca, the British multinational and agrochemicals specialist, although not directly involved in the pea research, is working on a number of crops for industrial use, with a keen eye on farmers' frustration at leaving land unworked and the pump-priming effect of the European set-aside subsidies.

"The aim is to give the farmer another choice of crop, particularly with the UK's set-aside land at 15 per cent of arable. The advantage of it is that he can grow these renewable resources on that land," says Nigel Poole of Zeneca's seeds division.

Ultimately, pea farmers hope the mutants will find industrial demand that makes them viable without set-aside subsidies. Hedley confidently forecasts: "New mutants with their potential new applications should lead not just to peas in our time but to peas for all times with the foundation of a new wave of products."

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Plenary highlights of the second day include Sir Bryan Carsberg of the Office of Fair Trading on competitiveness, a debate chaired by Mike Wilson of Marketing Improvements, and Michael Renshall CBE on Professional Ethics.

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ARTS

Television/Christopher Dunkley

An infinite licence to broadcast

The sooner broadcasting and broadcasters grow up, win their independence, and join the rest of the communications and entertainment media operating under the normal law of the land, the better. Meanwhile we continue to witness the last gasps of what will surely be seen in the future, and the not very distant future, as the historical anomaly which has marked the first half century of broadcasting.

Until recently broadcasting capacity was very limited, soon it will border on the infinite. The *Panorama* traces the most recent illustration of the effects of this anomaly, which stems from the terrestrial transmission system that has dominated the early years of the business. Under this system broadcasting networks have been a scarce resource and governments have consequently regulated them, controlling both the operators via licensing systems, and, to varying extents, the programme content.

It is inconceivable that the Scottish courts would have allowed even an interim injunction to prevent a newspaper or magazine from publishing an interview with the prime minister just prior to Scottish local elections. Print journal-

ists fought and won a battle for the freedom of the press in the 18th and 19th centuries, enduring hardships, including prison, which it is impossible to imagine their counterparts in broadcasting risking today. Moreover there are so many print outlets that no single publication would be considered likely to affect the outcome to any significant degree. On the contrary, nobody imagines that the printed media will be even-handed: they are expected to be part of the system and it is assumed that some sort of fairness will ensue from the diversity resulting from the market system.

Anybody who watched David Dimbleby's interview with John Major on *Panorama* must, surely, doubt whether this was any more likely than a print interview to affect the outcome. It was a pretty remarkable event, apart from some weird vocabulary and syntax from the prime minister. He claimed to have a more rounded picture of the members of his gov-

ernment who have departed under clouds than "the rather bawdier version" that so often appeared, and reckoned his predecessors did things less "determinably" than he does. He also talked about "security in every aspect of the sense". Regardless of these odd solecisms, a dispassionate onlooker would surely conclude that this programme was as likely to prompt viewers to vote against the Conservatives as for them.

The pity of it is that, with so little time to go before the new technologies begin to provide hundreds of television channels, the BBC has fallen into a trap which it had previously avoided throughout its history. During the General Strike of 1926 the home secretary, Winston Churchill, wanted to take over the fledgling BBC and turn it into a government radio station. BBC director-general John Reith demurred, and prime minister Stanley Baldwin backed off. Reith wrote revealingly in his diary

"They want to be able to say that they did not commandeer us, but they know that they can trust us not to be really impartial". However, the point is that the government did not step in, any more than it did during the Suez crisis of 1956 when the BBC gave a platform to government dissenters as well as government spokesmen. Indeed, the BBC has managed to preserve its fairness code as an entirely internal matter throughout its 70 year history - until this incident. Now it faces the prospect not only of having its conduct measured against its own codes of practice by an external body, but by a body sitting in a region where many shoulders are weighed down by anti-metropolitan chips.

Of course whatever happens in this case (and the thin blue line of BBC self-policing may hold) broadcasting diversity is on the way. True, the mere availability of 500 digitally compressed channels, which could be on offer within a

couple of years, will not mean that BBC1 and therefore *Panorama* automatically lose their significance. We have had multi-channel satellite television in Britain for years and yet the four terrestrial networks are still taking a 92 per cent share of the audience. On the other hand, *Panorama* which used to get 100 per cent of the audience when BBC1 was the only network now falls to get into the week's Top 50 programmes. So greater diversity does have an effect.

The excellent three part series *Satellite Wars* on Channel 4 has vividly illustrated the two major factors involved in this global expansion, the same two factors which we see exemplified in more parochial fashion in the case of *Panorama*. First, even when network scarcity is overcome, politicians are still keen to keep control of television. In China they are racing to lay down cable net-

beyond government control. Preventing people seeing sexy programmes, or any other sort, will be very difficult once you can dial up pay-per-view programmes from anywhere in the world via the telephone. There are certainly dangers. Live satellite news reports during the Gulf War conveying the belief that missiles loaded with biological weapons were being launched at Israel could have led to the most awful escalation. The more channels there are, the more Gresham's Law seems to operate with bad programmes driving out good. And no doubt the argument for sustaining a licence fee will look weaker and weaker as the number of channels moves from scores to thousands.

But it has always been development in technology rather than programming that has brought change to broadcasting. Anyone concerned for programme quality must hope that the BBC will survive the coming revolution. The BBC is one of the greatest programme makers in the world. It has repeatedly proved itself more sensibly responsible in matters of editorial judgment than most other mass media. It would be a tragedy if editorial self-determination were to be removed now, at the dawn of the new age of broadcasting.

Theatre/David Murray

A View from the Bridge

Is it not a bit early to be bringing *A View from the Bridge* back to the West End? So soon after Michael Gambon's sterling performance in the same play? Happily the answer turns out to be "no" - because the director here is David Thacker, whose track record in Arthur Miller positively demanded that he should get a crack at this stark piece, and the hero ("anti-hero" if you like) is superbly played by Bernard Hill, with an uncommonly strong cast supporting him.

A View from the Bridge is Miller's play about the Italian longshoreman in Brooklyn, Eddie Carbone, who agrees to harbour a pair of illicit immigrants from the Old Country - i.e. Sicily - but goes disastrously off the rails when the younger brother forms an attachment with Eddie's all-but-daughter Catherine. It was first seen 46 years ago as a long one-act, half of a double bill with *A Memory of Two Mondays*, but *A Memory* has long been forgotten, and *A View* has broadened to fill a (shortish) evening. It can bear that.

Not only does it have a whiff of inexorable Greek tragedy about it, but its central role is a gift to bulky middle-aged performers who do not compete in the romantic stakes, a category which includes some of the best actors around - like Hill. We can forego any invidious comparisons with Gambon's hugely brooding performance; Hill's is a different, but in a distinct and remarkable way. Judged from a cool distance, it is a technically brilliant exercise in mimicry. Hill took the trouble, one hears, to chat up Brooklynites from the right precinct (none of them Italian nowadays, though), and some proper Italian-Americans as well, and the sounds perfect. Few American actors would bother to be so "authentic", since fine details of accents bear no social significance for Americans.

With Hill, however, the mimicry is joined seamlessly to the

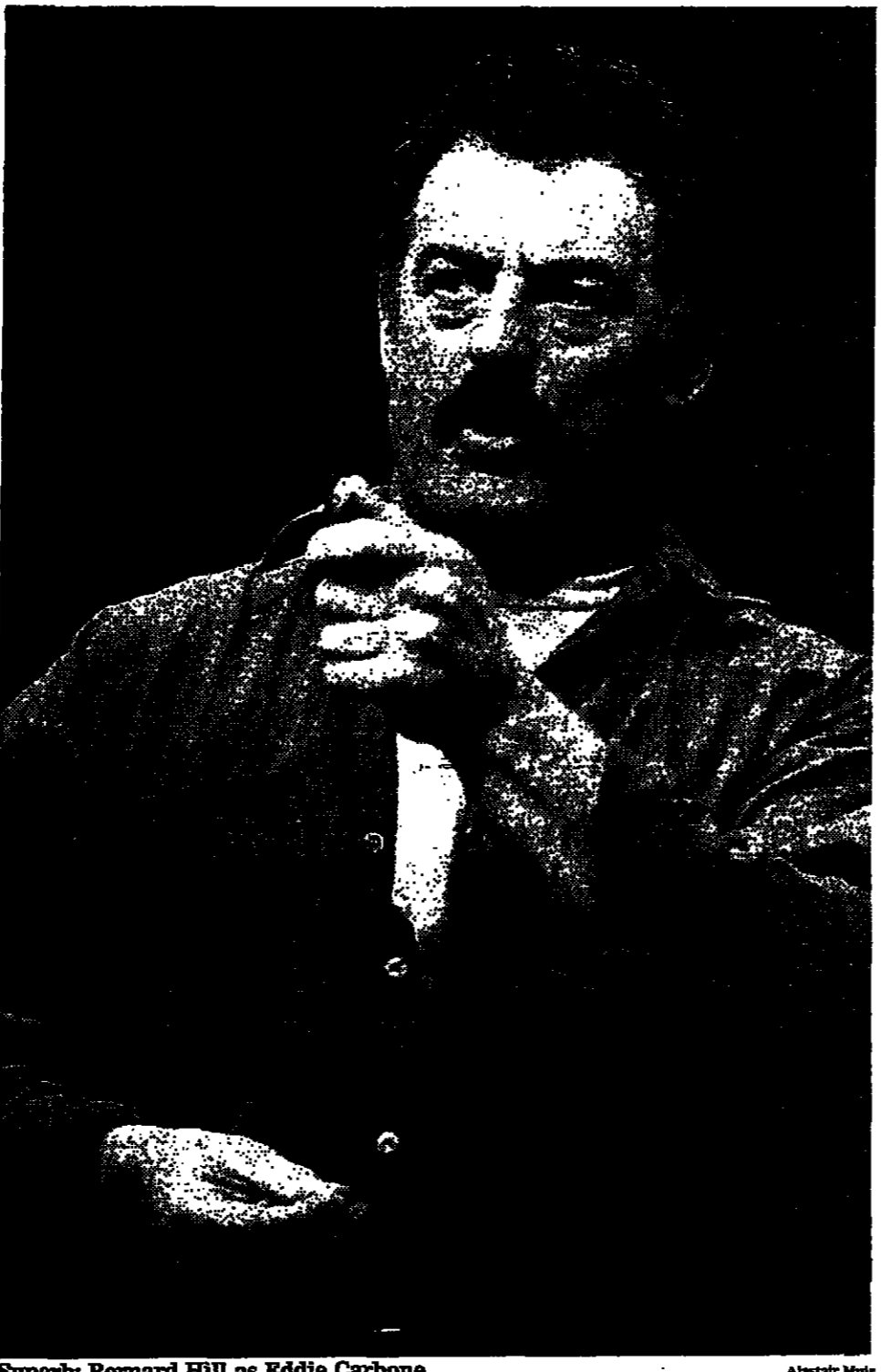
exposure of his character. His heavy face - where some violent centripetal force seems to have concentrated all the features in the middle, from beaming eyebrows through bushy moustache to sharp, truculent chin - lifts at collision-moments into proud Sicilian attitudes, he retains his forceful dignity against even the hardest blows. The performance is a model of economy, without showy riffs, he shows us a creature of terrible consistency.

From long ago I remember Raf Vallone's Paris incarnation of Eddie with some awe, but that was unbridled Italian-extravaganza. Hill's is compressed to the scale of an anxious immigrant who wants to adapt to American ways, but finds himself locked in an evocative, almost obsessive, which needs older actors.

At the end the lawyer-narrator (a didactic period-figure, but faultlessly animated by Alan MacNaughtan) tells us that Eddie deserves our respect because he allowed himself to be "wholly known". Yet with Eddie that was all unwitting, and though everyone else has understood too well what he was up to, they never quite say it. We watch the situation unfold with relentless logic, in frozen dismay.

Eddie's long-suffering wife is Charlotte Cornwell, laden with anxious character, though her anxiety peaks too early - she knows too much from the start, instead of letting it dawn upon her little by little. (At the other end, Hill's Eddie is too doggedly angry about his good name; surely he is already wounded and fatally vulnerable, knowing all too well that his good name is lost forever.) The all-but-daughter is Emma McCourt, who gets all the feelings right but lets her forthright "American" voice lay waste to her part, determinedly high-pitched, tastelessly platitudinous.

The "submarines", the immigrant brothers Marco and



Superb: Bernard Hill as Eddie Carbone

young Rodolfo, are Ivan Kaye, a desperate family-man with a wrenching presence, and Joseph Fiennes as the charming swain possibly feckless; we are never quite sure whether he is an honest suitor, or perhaps just wants an American passport.

Thacker's production, in Shelagh Keegan's striking, skeletal designs, erases none of the ambiguities but sets the action out with transparent clarity. Adrian Johnston's scene-music is effective (though I think his haunted sax is malapropos - sentimental 1950s New York, not much to do with any immigrant community in Brooklyn).

There is, nonetheless, the breath of real tragedy in this play and this production.

At the Strand Theatre, W1

Music in London

Locke's 'Psyche'

By the end of this year Dido will have been laid to rest, and Queen Mary's funeral sentences solemnly pronounced countless times, as Purcell's most famous music gets performed up and down the land. That is the inevitable result of commemorating a tercentenary, although there can be unexpected by-products along the way.

Shining the spotlight so brightly on Purcell occasionally allows his contemporaries some reflected glory. On *Thursday evening*, Matthew Locke (c.1631-1677) enjoyed undivided attention in the South Bank's festival devoted to the "English Genius" (Purcell, that is, not Locke). In his day, he was an influential figure, who supplied music for Charles II's coronation and was appointed court composer at the Restoration.

These days we may know some of his songs or choral music, but even during its renaissance in recent years, the early music bandwagon has not often passed his

way when it is looking to revive large-scale pieces. The history books tell us Locke's theatre works are important, because they came shortly before Purcell and are early English operas that showed others the way. His *Psyche* has the most music to it and that was the one Philip Pickett and the New London Consort chose to perform.

In fact, *Psyche* is no nearer to being an opera than Purcell's *King Arthur* or *The Indian Queen*. Like them, it forms an uneasy marriage between a play and a musical score, in which neither has much to do with the other (all the important action happens in the play and the main actors never sing). The impression is of a typical Restoration extravaganza, with gods flying about in chariots, scene changes from heaven to hell, temples, cliffs, palaces - so much to look at that it is difficult to believe the audience had much time to listen at all.

At the Queen Elizabeth Hall *Psyche* was given a concert performance and so there was

ample opportunity to enjoy Locke's inspired part-writing for three or four voices, while wishing that he exhibited even a modicum of Purcell's skill in setting English words. Almost all the solo numbers wandered aimlessly without the music giving the words any sense of direction. The solo singers of the New London Consort generally did what they could, but only the soprano Catherine Bött and bass Roderick Williams roused their music into expressive life.

As directed by Pickett, the "opera" made a pleasing enough evening - light, varied, lively, whatever its shortcomings. The audience responded happily to the novelties of the orchestration, such as a duet for two anvils and a flock of chirruping recorders, but might have been less impressed if they had read the small print in the programme and found that all the amusing bits were part of Pickett's own "reconstruction". A recording will shortly be forthcoming.

Richard Fairman

Haefliger and the Carmina

Five young musicians - four of them Swiss, the fifth an American based in Switzerland - brought playing of the highest order to the Queen Elizabeth Hall at the start of the week. Having launched the latest season of the South Bank's on-going International Piano Series on Sunday afternoon, Andreas Haefliger returned the following night to join the Carmina Quartet in part of a concert that deserves a special place in the recent annals of chamber music making in London.

It is not hard to see why Haefliger, who made his London debut only two years ago, is included in the roster of distinguished pianists Berman, Pletner, Lupu, Lill and Brendel who will play in the present series. His easy dexterity he is possessed of a formidable technique which never intrudes - allows him to put musical truth first: his performances of both Beethoven's Sonata No. 1 and the second set of Schubert Impromptus

revealed uncommon sensitivity to texture and tone colour. Indeed, in *Pictures at an Exhibition* Haefliger used his staggering power only to extract raw emotion: there was no gratuitous thumping in the way he played Igor Stravinsky's massive chorde. The grinding ox-cart in "Bydlo" and diabolical portrait of the witch Baba-Yaga were highlights of the cycle, which came across more vividly and with greater freedom than in any orchestral version. Fascinatingly, Haefliger's interpretation stressed the modernity of Mussorgsky's 1874 music.

There was a similar, exhilarating vigour about Monday's performance of the Brahms Piano Quartet No. 1 in G minor, in which Haefliger teamed up with three of the Carmina players. But most breathtaking of all was the unmatchable sound of the Carminas playing alone in the first half of the concert.

In the relatively few years since Max Loppert first "spot-

ted" them on this page, the Carminas have more than fulfilled his confident predictions and emerged as one of the outstanding quartets of today. Each member has a distinct musical personality, yet the collective Carmina sound is based on an uncanny unanimity of tone and attack. They played as one in Beethoven's highly compressed Op. 95 Quartet, bringing out its seriousness in a beautifully sculptured fugue and walking a musical tightrope in the neurotic finale. Their warm, silken sound could not have been heard to better advantage than in their dream-like account of Debussy's Quartet in G minor. We are currently blessed with a wealth of excellent string quartets, and the Carminas are to be treasured as highly as any.

John Allison

Next recital in the piano series is by Lazar Berman in the RFB on April 23 at 3.45.

INTERNATIONAL ARTS GUIDE

BERLIN

GALLERIES
Deutsches Historische Tel: (030) 215 020.
● Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18. Neue Nationalgalerie Tel: (030) 266 2653.
● George Grosz: Berlin-New York exhibition of the German Dadaist who emigrated to the US; to Apr 17.
OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01.
● Alder by Verdi: Conductor Stefan Soltesz, production by Götz Friedrich; 7pm; Apr 14.
● L'italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 12.
● Magic Flute: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Günther Schütz and produced by Günter Krämer; 7pm; Apr 16.
● Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by

Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Apr 17.
● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Field Anderson and Jane Bowmer; 7.30pm; Apr 15, 18. Staatstheater unter den Linden Tel: (030) 200 4762.
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Apr 13.

LONDON

CONCERTS
Barbican Tel: (0171) 638 8891.
● City of London Sinfonia: with soloists Rosa Mannion, Sally Burgess, Matthew Best and the Holst Singers. Henry Christophers conducts Beethoven's "Magnificat" and Mozart's "Requiem"; 7.30pm; Apr 16.
● Royal Philharmonic Orchestra: with soprano Christine Brewer. Jane Glover conducts Schoenberg, Strauss and Mozart; 7.30pm; Apr 13.
● Yo-Yo Ma: cello with the London Symphony Orchestra. Sir Colin Davis conducts Tippett and Elgar while Leon Kirchner conducts the UK premiere of his own "Music for Cello and Orchestra"; 7.30pm; Apr 12.
● Finnish and Latin American Music: the Jam Quartet, an ensemble of guitars from Finland, combine Nordic and Latin rhythms in a programme that includes Piazzolla and Brouwer; 7.30pm; Apr 18.
Royal Festival Hall Tel: (0171) 928 8800.

● London Choral Society: Jane Glover conducts Handel's "Messiah"; 8pm; Apr 14.
● Piano, Orchestra and Band: Marilyn Brabine conducts the Philharmonia Orchestra and pianist Kathryn Stott plays Nymann's "The Piano Concerto" and the UK's premiere of "MGV-Musique Grande Vitesse"; 7.30pm; Apr 13.
● The London Philharmonic: a concert performance of Gilbert and Sullivan's "Iolanthe". With conductor Roger Norrington and includes soloists Alison Hagley and Sarah Walker; 7.30pm; Apr 18.
GALLERIES
Royal Festival Hall Tel: (0171) 928 8800.
● After Auschwitz: exhibition of paintings, sculpture and photography produced by 21 contemporary artists in response to the Holocaust; to Apr 17.
Tate Tel: (0171) 887 8000.
● British Sporting Art: this special display from the collection focuses on the flourishing of sporting and animal painting in Britain from around 1720 to 1850; to Jul 2.

OPERA/BALLET
English National Opera Tel: (0171) 832 8300.
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Marius Stenz; 7pm; Apr 13, 15. Royal Opera House Tel: (0171) 304 4000.
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival"; 7.30pm; Apr 15 (7pm).
THEATRE
Cockpit Tel: (0171) 402 5081.

● The Yiddish Trojan Women: by Carole Braverman, directed by Hettie Macdonald. Comedy involving four American Jewish women; 8pm; to Apr 23 (not Sun).

NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030.
● New York Philharmonic: Kurt Masur conducts Weber, Schumann, Williams and Prokofiev; 8pm; Apr 12, 13, 14 (11am).
Carnegie Hall Tel: (212) 247 7800.
● Alfred Brendel: an all-Beethoven programme by the pianist; 8pm; Apr 17.
● Jessye Norman: soprano in her only New York recital of the season; 8pm; Apr 18.
GALLERIES
Museum of Modern Art Tel: (212) 708 9480.
● Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising 13 large photographs of flowers in a variety of viscous liquids; from Apr 13 to Jul 1.
OPERA/BALLET
Metropolitan Tel: (212) 362 6000.
● Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 6.45pm; Apr 14.
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 13 (1.30pm).
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 12, 15, 18.
New York City Opera Tel: (212) 307 4100.
● Harvey Milk: music by Stewart Wallace, libretto by Michael Korie. A

new production conducted by Christopher Keene and produced by Christopher Alden, a story about gay activism, dirty politics, murder and street riots; 8pm; Apr 13.
● La Bohème: by Puccini. Conducted by Christopher Keene and produced by Cynthia Auerbach; 8pm; Apr 14, 18.
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotta. Soloists include Janice Halksma, Krysia Krysia and Stephen Mark Brown/Richard Drews; 8pm; Apr 15 (1.30pm).
● Lucia di Lammermoor: by Donizetti. Conducted by Christopher Keene and produced by Tito Capobianco; 8pm; Apr 12, 15 (1.30pm).
● The Merry Widow: music by Lehár, English book adaptation by Robert Johnson. Conducted by Eric Stern, directed by Robert Johnson; 8pm; Apr 15.

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50.
● Philharmonic Orchestra of St. Petersburg: with violinist Martha Argerich, Yuri Temirkanov conducts Prokofiev; 8.30pm; Apr 12.
● Philharmonic Orchestra of St. Petersburg: with mezzo-soprano Eugénie Gorokhskaya and the London Symphony Chorus. Yuri Temirkanov conducts Prokofiev; 8.30pm; Apr 13.
GALLERIES
Galerie Schmit Tel: (1) 42 60 36 36.
● From Delacroix to Matisse: exhibition including the works of Picasso and Degas; to Apr 13.

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50.
● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer; 7.30pm; Apr 18.
● Lucia di Lammermoor: by Donizetti. A new production by Andre Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 14, 16 (3pm).
THEATRE
Petit Odéon Tel: (1) 44 412 36 36.
● Cat and Mouse (Sheep): written and directed by Gregory Motton, a satirical look at present-day England. The first in a season of plays in English; 6.30pm; to Apr 23.

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4800.
● National Symphony Orchestra: with conductor/violinist Iona Brown plays Strauss, Haydn, Vaughan Williams and Mozart; 8.30pm; Apr 13, 14 (1.30pm), 15, 18 (7pm).
GALLERIES
National Museum of Women in the Arts Tel: (202) 783 5000.
● Sogonisha Anguissola (1532-1625): a renaissance woman. Premiere showing in the US of 24 works that includes intimate family portraits exemplifying the times in which she lived; to Jun 25.
THEATRE
Roundhouse Theater Tel: (301) 933 1644.
● Escape from Happiness: by George F. Walker, directed by Daniel DeFasy; 8pm; to Apr 16 (not Mon).

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHz (463m).

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(Central European Time)
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NBC/Super Channel:
07.00
FT Business Morning
10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets
17.30
Financial Times Business Tonight
Midnight
Financial Times Business Tonight

Ian Davidson



In pursuance of their "Contract with America", Republicans in the US Congress pushed through a vote demanding that Nato expand its membership to eastern Europe, and bring in Poland, Hungary, the Czech Republic and Slovakia.

Such a vote is not, of course, binding on the Atlantic alliance; it may not even be binding on the US administration. But it must add to the momentum for Nato expansion which, if it comes to the crunch, may well entangle the alliance in damaging quarrels and recriminations.

This momentum may be unstoppable. Ever since the end of the cold war the eastern Europeans have ceaselessly demanded full membership of western institutions, notably in Nato and the European Union. In 1991 Nato gave them a sort of diplomatic membership, called the North Atlantic Co-operation Council; but the eastern Europeans were not satisfied. Just over a year ago, Nato gave them a kind of active associate status, called Partnership for Peace; but the eastern Europeans were not satisfied. Last December, Nato set up a 12-month study group to examine the consequences of expansion; but the eastern Europeans were still not satisfied. The chances are that they will keep up the pressure until they are offered full membership.

It seems likely that full membership will only be a matter of time: the very fact of setting up the study programme implies it. But we know in advance that it will cause trouble with the Russians, because they have repeatedly said that they would regard it as a hostile act. When Nato set up the expansion study group, the Russians backed off from their Partnership for Peace with Nato; and last week General Pavel Grachev, the defence minister, threatened that Russia would retaliate to Nato expansion by tearing up the 1990 East-West Treaty on Conventional Forces in Europe, which limits arsenals of tanks and other heavy weapons, and which is seen as one of the cornerstones of military stabilisation in Europe.

The fact that the Russians do not like the idea of Nato expansion is not, by itself, a suffi-

Nato looks east

The race for expansion may be unstoppable, but it might not be wise

cient reason for not going ahead with it. Nato was formed for the defence of the Atlantic allies against the threat from the Soviet Union; and the end of the cold war does not, or at least should not, give the Russians a veto over the future of the Western alliance. Russian views and Russian interests deserve to be taken into account, but they should not be decisive.

It is the interests of the alliance, or the interests of Europe at large, which should be decisive. The problem is that Nato seems to have been bounced in the direction of early expansion, without the advocates

Nato cannot be transmogrified into some kind of all-purpose political club

having put forward a convincing story about what the expansion of Nato is supposed to achieve, or why it would be good for either east or west.

The candidate countries in eastern Europe evidently believe that Nato membership would improve their security; after 45 years under the brutal domination of the Soviet Union, it is natural that they should want guarantees such as a thing could never happen again. But it is not clear that such guarantees are necessary, or would really be available.

First, there is no evidence that the Russians have ambitions to reconquer Poland or Hungary or any of their neighbours by military force.

But if there were a potential Russian military threat, Nato might have great difficulty in providing a plausible guaran-

tee against it. In the cold war, the US had 350,000 troops in Europe; today it has 100,000 and the number is likely to fall. All the allies are cutting forces and defence budgets, and no-one expects Nato to station troops in Poland.

When Nato enlargement comes before the US Senate for ratification, someone is bound to ask whether the US would be committed to use American nuclear weapons for the defence of Warsaw or Budapest. If the answer is yes, the Senate is unlikely to ratify enlargement. If the answer is no, the credibility of America's security guarantee to its existing allies in western Europe would have been wiped away at a stroke.

In the face of these difficulties, some advocates of Nato enlargement claim that the real purpose is not military security but the political stabilisation of eastern Europe. This argument is inherently absurd. Nato is a military alliance for collective defence; and even if today it is embarrassed by the disappearance of the Soviet threat, it remains a military alliance, and it cannot be transmogrified into some kind of all-purpose political club. Political stabilisation in eastern Europe cannot be promoted with tanks and mortars.

In any case, those regions of eastern Europe which could be most vulnerable to political instability, such as the Balkans, are also those least likely to qualify for membership of Nato, and least easy to stabilise from outside. Political stabilisation of eastern Europe is a legitimate objective of the west, but it can only be carried out by political means. It may be a task for the European Union, or possibly the Council of Europe; but not for Nato.

Western intentions are of course entirely peaceful. But Nato enlargement must, as a matter of fact, mean a clear shift in the military balance of power between east and west; and the Russians will react to that. Those eastern countries which do not qualify for membership may thereby become more vulnerable to Russian intimidation. The US may hope that Nato enlargement will indirectly extend and expand its own role in Europe. But Nato may yet regret a move which may undermine the cohesion of the alliance, and could even reduce the security of some countries in eastern Europe.

For a decade the Renault Espace has reigned supreme in the small but growing European market for multipurpose vehicles - the family cars known to Americans as minivans - but it may be about to lose its crown.

Ford of the US and Volkswagen of Germany began volume production of their first European-built multipurpose vehicle (MPV) last month at a new plant in Portugal.

AutoEuropa, their joint venture, is the biggest industrial investment ever in Portugal. It underlines carmakers' enthusiasm for one of the fastest-growing segments of the west European new car market, although there are doubts about whether the current level of demand can be maintained.

The trend towards multipurpose vehicles began in the US with the Chrysler Voyager in the early 1980s, and the market has grown in North America from 300,000 vehicles in 1984 to about 1.5m last year. Minivans now account for 8.5 per cent of the total North American car and light truck market.

Most volume carmakers in Europe, uncertain of the prospects for a vehicle category that barely existed 10 years ago, at first left the market to Renault, which launched the Espace in 1984, and a few Japanese competitors. They changed their minds, however, as sales of multipurpose vehicles climbed in west Europe from less than 50,000 in 1988 - accounting for 0.3 per cent of the new car market - to 170,000 or 1.4 per cent of the market last year. Volkswagen's most optimistic forecast suggests that MPV sales could grow to 550,000 and a share of close to 4 per cent of the market by 2000.

"All manufacturers agree that the longer-term potential for MPV sales in Europe is enormous," says Renault. "Much of this confidence is based on the North American experience... This boom is likely to continue, with North American MPV sales forecast to rise by another 40 per cent by the end of the decade."

Carmakers agree that it is the vehicles' space and versatility, along with the ability to seat seven passengers, that is attracting car buyers away from conventional saloon and estate cars.

Manufacturers also believe that the car market is fragmenting. Instead of focusing on conventional, mainstream models, they are looking at the growth of segments where buyers seek to express more indi-

More carmakers are challenging Renault in Europe's multipurpose vehicle market, says Kevin Done

Espace - the final frontier

Multipurpose vehicles: manufacturers multiply

MPV western European market by model

Model	Number of units
Renault Espace 65,700	
Chrysler Voyager 38,800	
Fiat Tempra 18,400	
Nissan Serena 17,500	
Mitsubishi Space Wagon 12,500	
Toyota Previa 7,100	
Peugeot Boxer 7,000	
Others 2,700	

1994 total: 172,000 units
* Joint venture Peugeot 500 (7,000), Fiat (5,000), Citroen (5,000), Lancia (2,000)



visibility. This process has been reflected in the rapid growth of four-wheel drive sport-utility vehicles and in the latest coupes, convertibles and sports cars.

New entrants to the market, however, may not find it as easy as they had hoped to make profits from their minivan investments, particularly since so many of them are piling in at once.

The offering from VW and Ford, the Volkswagen Sharan/Ford Galaxy, goes on sale in the early summer. Several other competitors to the Renault Espace have also just launched or are destined for the market in the next 18 months. These include:

● Sister vehicles from Fiat of Italy and PSA Peugeot Citroën of France, in a FFV6.04bn (\$1.25bn), 130,000 vehicles a year joint venture at Valenciennes, northern France.

● The new generation Chrysler Voyager, the leader in the North American minivan market, which begins production

in Europe at the US group's assembly plant at Graz, Austria in October.

● The Honda Shuttle, an import from Japan, to be launched in Europe this year.

● The Mercedes-Benz Viano, due for launch early next year, to be produced at Mercedes-Benz's plant in Spain.

● And a version of the new range of minivans from General Motors, to be imported from the US next year and sold under its European brand names Opel and Vauxhall.

VW and Ford decided to co-operate to reduce the risks to each company of such a costly investment. However, the joint venture has highlighted not only the uncertainties of the new market, but also the difficulty of managing such large-scale ventures between former competitors.

The scale of the venture, subsidised by substantial state aid from Lisbon and Brussels, has raised fears that it will create more overcapacity in an industry still recovering from

the European recession. The venture has faced repeated, but unsuccessful, challenges in the European Court from Matra, which builds the Espace for Renault. Matra complained about the subsidies and argued the joint venture should not have been cleared under European Union competition rules.

There are signs of concern from some of the new entrants that they might have got their sums wrong and overestimated the potential of the market. Last September, for example, VW's supervisory board - still struggling to shake off the record losses of 1993 - called for a new business plan for the AutoEuropa project, aimed at cutting costs and improving potential profitability. VW claimed that conditions had worsened since it approved the project in 1990. It had been hit by negative currency movements and the emergence of tougher competition.

According to Mr John Lawson, director of DRI Europe, the London-based automotive

analysts, the results of manufacturers' latest market research is "less positive than it was... Supply was freed up quite a lot in 1994, but the market did not shoot skywards."

The AutoEuropa venture of VW and Ford was announced in 1991 as a \$2.8bn investment to create a capacity of 160,000 to 180,000 vehicles a year and between 12,000 and 15,000 jobs at the plant at Palmela, near Lisbon, and at suppliers.

As doubts grew about the size of the project - the total European multipurpose vehicle market totalled less than 100,000 in 1991 - VW and Ford tried to rein back the investment. According to Mr Bodo Heise, VW's joint chief executive of AutoEuropa, the total investment has been reduced, while about DM500m (\$570m) of the DM2.8bn that will be spent on plant and equipment and buildings will be funded by state aid. A further grant of close to DM200m is expected as a subsidy for training.

At the outset of the joint venture it was agreed that VW would handle the design and engineering, while Ford would be responsible for manufacturing and purchasing. The partnership has not always functioned smoothly.

Mr Ferdinand Piech, chief executive of Volkswagen, says that the pre-production vehicles he tested last autumn were "a big catastrophe". The two companies had underestimated the challenge of integrating their engineering and manufacturing systems and in particular the process of releasing the specification of parts to both in-house and outside suppliers. "It was like taking an electric shaver from England and trying to plug it into a socket in continental Europe. It didn't work. Unfortunately we didn't realise this until last autumn," says Mr Piech.

The start of volume production was delayed, as the two partners struggled to understand how their systems had failed to mesh, but Mr Piech insists that the quality problems have now been overcome.

The production of the first vehicles for outside sale began last month, and the supply pipeline to showrooms across Europe is now being filled. In the marketplace, VW and Ford will be competing with each other, as well as with the new multipurpose vehicles from at least eight other manufacturers.

The next problem is to find the customers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5838 (please set fax to "fax"). Translation may be available for letters written in the main international languages.

Where to look for stolen treasures

From Mr Vladimir Baranov.

Brian Sewell is trying too hard in ridiculing Dr Mikhail Petrovsky's "schoolboy excuse" as to who did what first - Germans or Russians confiscating works of art from each other during the second world war ("Hidden treasures with a open secret", April 10). Mr Sewell was even prepared to travel to St Petersburg, Russia, in search for the thieves. Look no further than Bloomsbury. The British Museum and many other museums and pri-

vate collections in the UK are full of stolen treasures.

The difference is that Russians and Germans were removing paintings and other works of art during the war from the enemy as trophies. And British "collectors" stole it openly and without any excuses from former colonies and many independent countries like Greece.

Vladimir Baranov, 40 Hermitage Way, Wapping, London E1 9LW, UK

A preferable partnership

From Mr Kenneth P. Armitage.

Sir, For the past decade downsizing and re-engineering, as well as mergers and acquisitions, have been used, especially in the financial services sector, as an excuse to shed tens of thousands of jobs on the pretext of creating leaner and fitter organisations. Whether these organisations are now more effective and efficient or simply greedier is open to interpretation.

However, the chairman of the Bank of Tokyo and the Mitsubishi Bank recently stated that their merger, to create the biggest banking corporation in the world, would not include large-scale job losses. This partnership, between government, financial institutions, management and workforce serves to reinforce the Confucian principles of loyalty, duty, obligation and teamwork.

The planned merger in the UK between the Halifax and the Leeds building societies includes, apparently, a promise "that there should be no need for compulsory redundancies". ("Halifax blows whistle on Xtra time", April 7). Perhaps someone has realised, at last, that increasing the number of unemployed increases the strain on the UK economy and increases the size of the underclass. It will be interesting to see what transpires in both cases.

Kenneth P. Armitage, 6 Deben Valley Drive, Resgrave, Suffolk IP5 7FB, UK

A better bet

From Mr David Edwards.

Sir, Re Barings. If I put a pony or, for that matter, a monkey on a horse in the 3.30 at Kempton Park, is that a derivative trading?

If a bank wants to bet its whole capital, and some of the customers' deposits, on the proposition that the Nikkei index will rise, wouldn't a London bookmaker be a better bet than the Singapore stock exchange?

David Edwards, Olivers Lane, Colchester CO2 0JH, UK

Single currency debate should involve economic, not political, factors

From Mr Robert Gooch.

Sir, Your correspondent, Mr Fabrizio Galimberti (Letters April 7), adds weight to the view that the debate over the single European currency generates more heat than light. In particular, he makes an invalid comparison between monetary unification in Italy and a single currency in the European Union.

There are two debates about EU monetary union: one is politics and the other is economics. The economic argument about a single currency or locked exchange rates in Europe focuses on two crucial points - the single market and labour market flexibility. A local recession in a region of Italy would lead to most workers seeking employment in another region (with a shared language and culture).

The reality for the EU is that there is no single market: labour will not readily move to work in countries which do not share the same culture and language. Without fluctuating exchange rates or fiscal transfers, recessionary countries would never recover from spiralling unemployment.

The Commission's goals of economic convergence prior to

monetary union aim at reducing the risks of local recessions in the EU.

In practice, however, some countries' economies will always perform at lower levels than others because of infrastructure, past investment, training and R&D and so on. Therefore, countries with strong economies will have to accept that they must bankroll recovery in poorer countries through the EU instruments of structural and cohesion funding.

The second and most frustrating debate is political. As an agricultural economist of no strong political persuasion, I feel that this argument centres on the vested interests of national politicians who want to retain sovereignty and pan-European politicians who see their future in Brussels or Strasbourg.

I will not add heat to this particular contest beyond saying that I wish that politicians on both sides of the debate would use the economic argument to shed more light.

Robert Gooch, director, Eurinco, 262 Rue du Noyer, 1040 Brussels, Belgium

Genetic engineering must be reviewed

From Dr Harold W.D. Hughes.

Sir, In "Private View" on April 8 you published an interview by Christian Tyler with Professor David Bishop, until lately head of the Institute of Virology and Environmental Microbiology (IVEM) at Oxford.

What he said about his trials of the genetically engineered virus at Witham Wood astonished us, as the only conservation body in the UK solely concerned with conservation of our native lepidoptera. He is reported as saying that "natural killers such as viruses are preferable (as insecticides) because they are insect-selective and host-specific. They cannot hurt other insects or wildlife".

Prof Bishop has apparently not been following the research results of his own laboratory. The test virus was not

a naturally occurring strain in the UK but was mutated, as your article said, with a gene from scorpion venom. What alarmed us most was IVEM's own work which showed that, of a lepidopteral species tested with this virus in the laboratory, more than half (48) were killed.

As early as 1986 it was known that 11 different families of lepidoptera were affected, pointing to the probability that this virus was very dangerous to lepidoptera in general. Rare UK species were shown to die, and had further tests been carried out it is more than likely that even more species would have been found to succumb.

Prof Bishop's departure from IVEM, we hope, an opportunity for the whole programme to be reviewed. And this time,

the legitimate concerns of conservation bodies like ours should have proper attention. More to the point, all laboratory work should first be completed, enabling the risks to be fully assessed. Trials in the field should be treated with extreme caution and at the very least a proper regime of management control and independent supervision should be established.

Butterflies and moths are not only a beautiful part of our natural heritage, they are an essential part of the environment and in the food chain. They deserve protection.

Harold W.D. Hughes, chairman, British Butterfly Conservation Society, Dedham, Colchester, Essex CO1 6EY, UK

American investors are our specialty. (See, we speak their language.)

According to AutEx BlockDATA Inc., S.G. Warburg ranked first in 1994 among reporting US Broker-Dealers in both European and South East Asian equity transaction volumes.

S.G. WARBURG

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FINANCIAL TIMES

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Wednesday April 12 1995

No escape from Bosnia

The war in Bosnia, now three years old, shows every sign of approaching a new cataclysm. Nominally a ceasefire remains in force till the end of this month. But the Bosnian government, seeing no sign of the diplomatic progress the ceasefire was supposed to permit, no longer feels bound by it. The government has been celebrating the capture of Mount Vlasic, in central Bosnia, while glossing over the high cost in casualties. Like Iran in its war with Iraq, Bosnia's Muslim leaders apparently have no qualms about using superior manpower to compensate for inferiority in equipment. And, like Iraq in that war, the Serbs have no scruple about using their superior equipment to retaliate against civilians.

Both sides seem convinced that they stand to gain from further fighting. The prospect of high civilian casualties, the UN protection force (Unprofor), detested by both and feared by neither, has an impossible mandate. It is supposed to be a simultaneously impartial peacekeeper and protector of "safe areas" which are all on one side - and from which that side considers it can legitimately initiate military action. The temptation to pull out, leaving the parties to get on with their war, is strong.

That course is urged by interventionists who want a free hand to supply arms to the legitimate government, and to necessary to assist it with air power, in a war to liberate or reconquer national territory. It is also urged by non-interventionists who regard the Balkans, in Bismarck's famous phrase, as "not worth the bones of a single Pomeranian grenadier".

Up to their necks

Perhaps it would have been better, for Bosnia and Europe, if one or other of these approaches had been taken from the beginning of the conflict. But it is doubtful whether either is now morally tenable, or politically or even militarily practicable, for governments which are already up to their necks in the Bosnian quagmire.

Nato has devoted many man-hours over the past few months to drawing up an elaborate contingency plan for the withdrawal of Unprofor. It is clear that this operation, if it has to be carried out in

the midst of fighting, without the co-operation of the parties - and if it is to be an orderly withdrawal of men and equipment rather than a scramble for the helicopters - will be very expensive, take several months, and require a covering force including US troops.

Bogged down

Politically, Nato is ready for that, but the plan is bogged down in technicalities. That illustrates all too clearly the lack of leadership from which Nato is now suffering. It matters, not because withdrawal is the best option politically, but because the threat of withdrawal is now the only credible leverage Unprofor can rely on. Although both sides disdain Unprofor, both want it to stay: the government because without Unprofor the eastern enclaves will be overrun and the relentless shelling of Sarajevo will resume; the Serbs because without Unprofor - now their only link to the outside world - they are in greater danger of Nato air strikes.

No Nato must move fast to provide Unprofor with a credible withdrawal option. But no Nato government should resign itself to actual withdrawal of Unprofor so long as any hope of saving Bosnia's civilian population from a full-scale resumption of fighting remains. While Nato may almost be ready for withdrawal as an operation, it is far from ready to deal politically with tens of thousands of new casualties and hundreds of thousands, if not millions, of new refugees, nor with the spread of fighting to Croatia, and perhaps the southern Balkans.

Every effort must be made to restore and prolong the ceasefire. That means convincing the Serbs that they will not be allowed to get the better of any new fighting, and convincing the government that, in the absence of fighting, pressure on Serbia to deliver Bosnian Serb agreement to the Contact Group peace plan will be maintained.

No one should be under any illusion that ideal solutions are attainable, or that peace is just around the corner. It is a question of avoiding the worst by keeping alive the hope of something slightly better: a more equitable division of Bosnia among its three communities.

Shareholders and top pay

In attempting to establish a code of practice on top executive pay, Britain's Greenbury committee confronts a fundamental question. Can it set a binding work without the support of legislation?

One view is that increased disclosure of directors' remuneration will provide shareholders with enough information to put pressure on boards to adopt best practice. This approach is in tune with that of the Cadbury Committee, while the Stock Exchange listing agreement provides a non-statutory lever to ensure compliance. Yet, in practice, it may not be so easy for shareholders to

manoeuvr. Its decision to take as a target the median directors' pay in a large sample of UK companies would, if widely applied, be a recipe for boardroom inflation.

The use of international oil and gas companies as comparators for pay, when the great majority of British Gas's profits still come from the UK, appears to be at odds with the IOD's notion of best practice. And the company's two-year rolling contracts are in excess of the recommendation of the National Association of Pension Funds (NAPF) in favour of one-year contracts.

Unusual case

What makes the British Gas case unusual is that two separate groups of shareholders have requisitioned resolutions at the forthcoming annual general meeting. Under existing company law they were each obliged to persuade another 99 shareholders to join them. Yet they were handicapped in this, and in framing resolutions, by having to meet a timetable imposed by the 1985 Companies Act, which denied them the opportunity to see the annual report. British Gas directors, meantime, have given great prominence to a call for shareholders to vote against these resolutions. They dismiss the dissenters' arguments without addressing departures from best practice.

The more substantive of the two resolutions calls for the directors to revise pay policy in line with best practice, while it defines in terms of IOD and NAPF guidelines. It thus provides a litmus test of whether disclosure alone will suffice to change boardroom behaviour. If past form is any guide, only a minority of institutions will exercise their votes; and many will vote against, because they adhere, except in takeover bids, to a policy of backing the board, even where directors are involved in potential conflicts of interest.

If that happens, it is hard to see how the Greenbury committee can fulfil its remit of restoring public confidence through disclosure alone. It would then need to consider the case for US-style compulsory voting and to examine the Securities and Exchange Commission's recent moves to facilitate stop's recent moves on pay. Without investor activism on pay, without such help, shareholder democracy will remain a very tender plant.

Criticisms still valid

Despite admirable improvements in practice and disclosure revealed in the annual report, the company's remuneration packages remain subject to these basic criticisms. It still appears to fall short of best practice in specific respects. In part, this is a matter of judgment. But it is open to question whether British Gas has complied with the Institute of Directors (IOD) guidelines suggesting that big rewards should be reserved for exceptional perfor-

It is common practice for international bank executives these days to pour scorn on the management failures that contributed to the collapse of Barings.

"The sheer level of risk taken on by Barings was monumental," says a risk manager at one of the world's largest banks, insisting that the \$860m losses on Japanese futures contracts accumulated by Barings in Singapore could never have occurred at his own institution.

But the failure of Barings in February has brought the risks faced by banks in trading on international financial markets into sharp focus. Worries about trading risks were already growing as banks diversified their business from lending and deposit-taking to dealing in securities, foreign exchange, bonds and derivatives.

New proposals due to be announced today by international bank supervisors on so-called "market risk" could therefore not have been better timed.

The Basle Committee on Banking Supervision, the forum which groups the world's top bank supervisors and central bankers, will unveil details of important changes to the way banks monitor risk and set aside capital to meet shifts in the market value of their trading positions.

Deregulation of financial markets since the early 1980s and increased competition have squeezed margins on traditional bank business, while the growth of derivatives markets has made it easier and cheaper for banks to move into trading, an area which has historically been the preserve of securities houses.

This switch in focus has transformed the character of the risks faced by banks. To old concerns like liquidity risk (the possibility that the cash available to a bank could be exceeded by customers' calls on it), and credit risk (the likelihood of default by a borrower) has been added a third concern: market risk - the possibility that sharp downward movements in market prices will destroy a bank's capital base.

The Basle Committee - whose membership includes senior bank regulators from the world's most powerful countries - recognised the need for action in this area in 1993, when it added new provisions to existing rules governing credit risk. Early next year the European Union's Capital Adequacy Directive will also introduce requirements for banks to set aside capital to meet market risk.

The committee's proposals today, however, will modify its 1983 initiative by recognising the progress made by many of the largest banks in developing sophisticated computer models - dubbed "earnings at risk" or "value at risk" models - to deal with market risks.

Work ahead for quality controllers

International banks have some way to go in improving management of trading risks, says Richard Lapper



These models analyse the sensitivity of banks' trading portfolios to changes in market prices and use standard statistical techniques to assess the potential size of losses in a particular line of business - trading in US bonds or German equities, for example.

By measuring the way such bonds or equity prices have moved in the past, banks aim to assess the probability of future loss above specified limits. In addition, the computer models use market data to measure "correlation" - the way that different share and bond markets, interest rates and currencies perform compared with each other. Banks try to diversify risk, offsetting involvement in one market with an roughly equal involvement in other markets which historically perform in an opposite fashion.

The Basle Committee proposals would allow banks to use their own models to measure market risk, rather than comply with strictly standardised measures of volatility and risk for particular financial instruments.

The committee will also endorse a number of other moves by banks to

improve the quality of risk management. For example, it commends the use by banks of so-called "stress tests", which examine the overall impact of a worst case scenario - a repeat of the October 1987 stock market crash, for example - on a bank's capital base. It also lends support to organisational principles - such as the separation of the trading and settlement arms of banks' trading divisions - commonly regarded as best practice by most of the biggest banks.

Even without the new pressure from the Basle Committee, the practice of stress testing, which aims to improve their risk management strategies.

Critics say bank computer models, for example, can have serious shortcomings. There are question marks about how accurately the models measure the correlation of different variables, such as US and UK interest rates, or the yen/dollar exchange rate. Part of the problem is that the historical data on which such calculations are sometimes based are not extensive enough.

"Those correlations shift frequently, particularly in periods of

stress, and it is difficult to be certain of them, yet they exert a great influence on the models' estimation of total firm risk," Standard & Poor's, the US credit rating agency, says in a recent report. The ability of managers to understand and implement these models varies widely. They "appear to offer mathematical precision. However they are not a magic bullet," says S&P.

Other concerns include the use of risk models for measurement of more complex derivatives products, whose performance is based on more than one economic variable - a swap, for example, which gives a bank an option to enter a swap contract.

More generally, risk management consultants argue that banks sometimes underestimate the management effort needed to run banks safely. Mr Stephen Kingsley, partner in the banking and capital markets group at Arthur Andersen, talks of an "excessive longing for the 'standard solution' to the issue of risk management and control" and says that executives must be prepared to give more attention to broader cultural issues.

For example, advisers argue that efforts to solve settlement problems cannot be solved merely by reference to rule books. The profile, status and power of the back office - clerks who check details of trades and settle payments - and the separation of duties must be rigorously enforced by management.

Pay - in particular the huge bonus payments frequently received by the most successful traders - is becoming a crucial element of the risk management equation. Traders at top banks are accustomed to winning huge payouts if they are successful, or losing their jobs if they are not, giving them little incentive to pursue more cautious strategies.

In some cases banks could "cut their own throats" under existing arrangements, says Mr David Cannon, partner in international capital markets at Ernst & Young. By paying large bonuses to the traders in times of profit, without being able to claw them back when losses are made, banks are effectively writing options on their capital to the traders for minimal premium.

Mr Arun Aggarwal, partner in treasury and capital markets at Price Waterhouse, adds: "If you are in the habit of promoting stars and making stars to be the best and end-all of organisations then things like segregation of duties never work no matter what they look like on paper." He asks: "How do we combine the skills of individual traders but work within the bounds of team work? That's one of the more intractable problems around."

Some banks have made payment for traders depend not just on profit but also on the amount of risk to which a trader exposes a bank. Risk adjusted performance measurement, known more frequently by the acronym RAPM, has become a buzzword among advisers.

However, progress in all these areas of risk management varies from bank to bank around the world. Individual banks are often unwilling to disclose precise details of their risk management systems, but US investment banks are considered to be in the forefront of improved practices, with smaller European banks lagging behind.

Ernst & Young's Mr Cannon says banks are at least five years away from having "perfect all-singing and all-dancing systems which integrate the front and back office across all business areas".

However advanced the risk management strategies of other banks compared to Barings, few have grounds for complacency. "The best of the class," says Mr Kingsley of Arthur Andersen, "is still too small and still breaking some golden housekeeping rules."

The group's chairman is clear about its future business, say Peter Martin and Andrew Jack

Suez's gospel for change

For a man who has just written off FF7.6bn (\$970m) of investors' money, Gérard Worms, chairman of Compagnie de Suez, talks a lot about the importance of shareholder value.

And for a man who has spent the past four years coping with two troublesome acquisitions - of Société Générale de Belgique and a controlling stake in Colonia, the German insurer - Mr Worms displays a surprising confidence in the group's ability to act as a corporate "agent of change".

The apparent gap between ambitions and performance is one of the reasons why Mr Worms has to cope with an ominous presence on his share register: Banque Nationale de Paris, one of France's big three commercial banks. BNP now owns just under 5 per cent of Suez, and is thought to want Suez's subsidiary Indosuez.

Although Mr Worms does not expect BNP to make a hostile takeover bid - it would be too dilutive for BNP's shareholders, he says - he is spending a lot of time explaining his vision for the bank to shareholders and analysts, starting in Paris today.

One of the things he has to

explain is the FF7.6bn write-off, announced on February 28, which covers a deterioration in the French property market during last year. Mr Worms says that, although other financial institutions have had property woes, about one third of the damage at Suez "could and should have been avoided". It allowed its French banking subsidiaries to lend and develop independently, saddling the group with too high a cumulative exposure.

Nonetheless, he says, the property problem is now past - unless there is a further dip in property prices, which he does not expect. In any case, "we have made a clear decision not to do any development or make any loans for development in future," he says. Suez is thus leaving the property business, just as it has now left insurance.

That leaves it with two main businesses: banking and acting as a holding company for the remaining parts of La Générale. Just as Suez is the legacy of the canal company, so its main banking subsidiary, Indosuez, is rooted in another part of



Gérard Worms: memberless

He is clear that the future for Indosuez, local franchises apart, is in investment banking. But what is the future for medium-sized European investment banks? A modest one, it appears. "Clients more and more consider two kinds of investment banks - the first league and the specialised ones such as us. And we probably have to accept more explicitly that role," he compares Indosuez with Schroders as a bank with niche activities. And if it did not have Suez as a parent it would "necessarily have to be merged".

So would it not make sense to sell Indosuez? No, says Mr Worms: selling the bank would be "very damaging" for Suez, since it is the group's spearhead in Asia and the Pacific. The industrial side of the group contains some substantial businesses, including controlling stakes in Tractebel, the Belgian gas and electricity utility; and Union Minière, the mining house. But can Suez be more than a passive shareholder in such industrial holdings?

Mr Worms argues that the takeover of la Générale - although at

too high a price - has transformed Belgium's old lady. Now, he says, Suez can contribute to industrial restructuring in Europe and beyond. He says: "Many sectors don't need such an actor, but in some sectors - banking, utilities, commodities... and perhaps services - we can be an agent for change." To give it influence, Suez will now only consider stakes of more than 20 per cent, where it is at least twice as big as the nearest other shareholder, and where the management is receptive to change.

Preaching the gospel of return on equity and shareholder value, Mr Worms sees Suez as a sort of continental Hanson, the UK conglomerate. The difference, he says, is not in the hard-nosed approach to financial evaluation but in the difficulty of organising hostile takeovers on the continent and the need to acquire control progressively. Doesn't Hanson's approach also require a degree of ruthlessness? Well, says Mr Worms, "the future will belong to people who are not too much embarrassed by establishment sensitivities. We will try hard not to be embarrassed." That will come in handy at his meetings with shareholders.

OBSERVER

Street-wise in Washington

■ The White House has always held a special allure for tourists, protesters, hunger strikers and lunatics, like the one who claimed her brain had been wired by the CIA. There was a time when all were welcome to camp on the sidewalk along 1600 Pennsylvania Avenue, giving the block the appearance of a sideshow at an outlandish carnival. All that may change.

For it seems the US Secret Service has a plan for closing the historic avenue to traffic, thus blocking a busy thoroughfare used by commuters from all over the city. The Treasury, unenthusiastic about giving the White House the appearance of a bunker, is reviewing the proposal.

You can see why the men in dark glasses think closing down one of Washington's most famous streets is a neat idea - apart that is, from giving them something to do.

Last September a pilot crashed his Cessna aircraft into the White House, two stories below President Bill Clinton's bedroom. In October, a gunman who had told friends he wanted "to take out the president" fired two dozen rounds at the White House. In December, several shots were fired into the south side of the grounds.

Acts of violence aimed at the White House were rare until last

year. Clinton White House officials are calling it "a sign of the times." Or maybe a time of signs...

French leave

■ Coface, the French export credit agency, has delayed its annual results announcement, due tomorrow. The agency insists it's simply a victim of its location - the dreaded modern La Défense office complex to the west of Paris, which today will be even more isolated than usual because the city's Metro staff will be on strike for the day. Obviously sceptics feel the change might have something to do with last-minute disagreements about the figures or even - perish the thought - that its staff want to have an extra-long weekend, making the most of Easter.

Le Malentendu

■ With UK Conservative politicians again yelping for a privacy law to stop nasty journalists from prying, maybe it's time to resurrect an interesting idea by Nobel literature laureate Albert Camus, who spiritedly edited the Parisian daily newspaper *Combat* in the immediate post-Liberation period.

Camus wanted to see a "control newspaper" which would appear one hour after all the others. It would estimate the truth-content of rival papers by having a dossier (called Z) on the interests and policies of their owners and one (called Y) on the prejudices and interests of their journalists. "Z times Y would give you X - the probable amount of truth in the story," he said.

Z x Y would probably yield double the deceit, not greater truth. Be that as it may, Camus spotted the real difficulty. "But do people really want to know how much truth there is in what they read? That's the most difficult problem."

Snake charmer

■ Morarji Desai, the former prime minister of India, may have been eccentric, but he was not a bad old stick. William Crawley, former head of the BBC's Eastern service, tells the tale of how a colleague went to interview Desai in 1967. The BBC had upset the Indian authorities and before the interview started Desai - then finance minister - launched in to the reporter for the BBC's "grave shortcomings".

After Desai had calmed down the interview went ahead. The reporter hurried back to the studio, only to find that he had forgotten to press the record button. He turned for help to Mark Tully, the Beeb's Indian guru. Tully gravely said that nothing could be done.

However, the luckless hack summoned up courage and rang Desai's office, whereupon he got another earful from Desai about how this just went to show that the

BBC was "grossly inefficient". Having got this off his chest, Desai then agreed to be interviewed again the next day - a public holiday - and the Beeb had its scoop.

Burned fingers

■ At the EBRD's annual gathering in London, Alejandro Valenzuela, director-general for international affairs at Mexico's finance ministry, spent almost all his allocated time at the delegates' plenary session yesterday morning talking not about eastern Europe but rather the messages the recent Mexican financial crisis carried for other emerging markets.

"The EBRD must play a higher role in developing higher levels of domestic savings for investment," he said, noting that a heavy reliance on foreign capital inflows was distinctly dangerous, and that the new countries of eastern Europe should treat inflows of foreign investment with care. The voice of bitter experience...

Serrated edge

■ Hot on the heels of the Russian stamp bearing the head of Joseph Stalin, the US is going to release a 23-cent Richard Nixon stamp. This could set a whole new sub-trend in philately, first-day covers of national anti-heroes. Anyone swap three Nixons for a Stalin?

Financial Times

50 years ago

Palestine war looms
A Palestine Government statement which ought to end rumours about whether the Palestine pound will eventually be devalued after the war was given by Mr Robert Scott, acting Chief Secretary and Financial Secretary, in his answers to questions at a meeting of economists, business men and press men in Jerusalem.

Mr Scott was asked whether it would not be advisable to offer all subscribers to Palestine Government loans alternative repayment in sterling, which would terminate rumours regarding currency depreciation and prevent investment and speculation at exaggerated prices in landed and housing property etc. He replied that Palestine currency is based on sterling and is convertible to sterling by law.

Profit motive in industry
"I am not ashamed of defending the profit motive which runs throughout life in all sections of the community," said Sir George Nelson, retiring president of the Federation of British Industries, at the annual meeting in London. "If the spirit of initiative and adventure is to be encouraged, there must be an adequate reward for success."

Britain wins court battle to stop 'benefit tourism'

 By Andrew Adonis
 in London

The UK government yesterday won a landmark court ruling sustaining its clampdown on "benefit tourism" by European nationals claiming social security payments in the UK.

The High Court ruled that the UK government was acting within national and European law in banning people not "habitually resident" within the UK or Ireland from receiving state welfare benefits.

The ruling could save the government hundreds of millions of pounds a year in benefits, allowing for the disincentive effect on future claimants. It is also a blow for Mr Peter Lilley, the Eurosceptic UK social security secretary, who received a rapturous ovation from the Conservative party conference in 1993 for his attack on benefit claimants, who were on "not so much a Cook's tour as a crook's tour".

The government introduced new regulations last August to tackle "benefit tourism". They restricted the benefits' rights of

nationals from within the European Economic Area - the European Union plus the EFTA countries - not "habitually resident" within the UK. In their first seven months nearly 18,000 welfare claimants were refused benefits after failing the "habitual residence" test.

Under the test, individuals not continuously resident within the UK or Ireland within the five years previous to their claim for income support, or other social security payments such as housing benefit, must convince the Benefits Agency that their "centre of interest" is within the UK.

The test also applies to UK passport holders, more than 2,000 of whom have failed the test. In all, more than 50,000 claimants have been subjected to the test, one third of whom have failed - a far larger number than envisaged when the test was introduced.

In his judgment on the cases of one French and two German nationals refused benefit, Lord Justice Balcombe said EU workers have no right under European law to non-contributory welfare benefits within the UK.

He added: "There is nothing unusual in the concept that rights of movement and rights of residence within the community do not necessarily carry with them rights of maintenance." He refused leave to appeal.

Mr William Hague, social security minister, said the ruling "sends a message to people who want to come to this country that they should provide for themselves in the same way as British citizens are expected to do in Europe and abroad". According to the social security department, no other European state gives non-habitual residents an automatic right to welfare benefits.

The cases before the High Court concerned Mr Michael Getachew, 50, an Ethiopian adopted by French parents and raised in France, who came to England last September in search of a job in a French restaurant; and Mr Jan Urbanek, 35, who lived and worked in England for some time between 1990 and 1992. He returned to Germany, came back to England last year with his 64-year-old mother, and both claimed income support.

Chinese revolution veteran Chen Yun dies at 90

By Tony Walker in Beijing

China's media broadcast solemn eulogies last night to mark the death of Mr Chen Yun, 90, a veteran leader of the Communist revolution who had clashed with Mr Deng Xiaoping, the ruling party's paramount leader, over the country's market reforms.

The success of reform means his death is unlikely to shift the balance of the Chinese leadership or the country's economic direction, though diplomats and liberal Chinese officials once feared that if Mr Deng died before Mr Chen, the country's reforms would be rolled back.

Obituaries read out on state television praised Mr Chen for his dedication to the revolution. His death was described as a "great loss to the party and nation". No mention was made of his differences with Mr Deng.

The Chinese government used the occasion to call for a show of unity. People were urged to learn from Mr Chen's "loyal spirit" and "rally around the Communist party central committee with general secretary Jiang Zemin at its core".

Mr Chen was the figurehead of China's "conservatives", though he supported economic change. While Mr Deng urged speedier reforms and a more emphatic opening to the west, the influential Mr Chen emphasised the role of central planning and the need to avoid the excesses of capitalism and "money worship".

He was one of China's leading economic officials during the 1950s and 1960s before being purged in the Cultural Revolution of 1966-76. He returned to the politburo in 1978 and proved a close ally of Mr Deng in early efforts to launch China's modernisation drive and opening to the west.

He was well-known for his "bird cage" theory of economic management, which was in favour of reforms, as long as they were introduced within a state-controlled structure, stating: "The bird should be allowed to fly, but only in the cage. If there is no cage, the bird will escape."

Since he stepped down from the politburo in 1987 at the behest of Mr Deng, Mr Chen acted as mentor for conservative figures in the leadership, including Premier Li Peng and President Jiang Zemin.

He re-emerged into the limelight during the Tiananmen crisis of 1989, when elderly conservatives took control of the party and government.

He was regarded as one of the "eight immortals" - veteran revolutionaries given divine status in Communist party ranks. Of the eight accorded this status after the death of Mao in 1976, only five survive.

Veteran whose fortunes flowed with Deng's, Page 4

THE LEX COLUMN

Burnt wings at Matsushita

As moths are drawn to flames so the Japanese electronics groups were tempted to Hollywood. The consequences were equally predictable: forays by Sony and Matsushita into film-making were fundamentally flawed. Both believed that by controlling software they could dictate hardware standards. But other electronics companies had differing ideas: the dominant format for the future critical technology of digital video was set without either Sony or Matsushita.

Unable to dictate standards, Matsushita discovered the *raison d'être* for owning MCA had disappeared. Throw in the studied insults inflicted by MCA's managers on Matsushita's executives and its retreat from town becomes still more understandable. The intangible benefits of imposing standards were always outweighed by the huge risks involved in film-making.

Matsushita's exit does not entirely lack grace. Most of the damage was wreaked because of the yen's appreciation against the US currency. In dollar terms, the deal values MCA at about \$7.3bn compared with the \$6.1bn the Japanese group paid in 1990, although the subsidiary's value is diminished by about \$1bn of debt. Meanwhile Matsushita is left with 20 per cent of a company with good prospects, compared with 100 per cent of something it was incapable of managing. The group's undertaking to invest in semiconductors and electronic devices is surely sound: Matsushita will always feel more comfortable in Silicon Valley than Hollywood.

Mr Jean-Pierre Rodier, Pechiney's new chairman clearly has a stronger grip on the company than his predecessor. His rationalisation plans make more sense than the former chairman's idea of merging with an electricity company, and he should be able to sell the assets he wants to get rid of without much difficulty. His ability to make the core businesses perform remains to be proven.

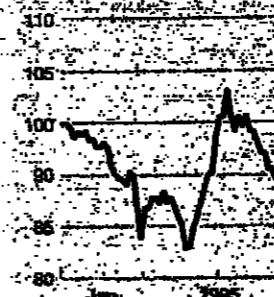
Gehe's hostile bid for AAH is finely balanced. Shareholders' hopes for an improved offer from Gehe next Tuesday were bolstered yesterday by AAH's defence document which promised imminent disposals and further rationalisation. Expectations are raised further as the FT-SE All-Share index has risen 5.5 per cent since the bid was launched, while the D-Mark's 3 per cent appreciation against sterling makes the proposed deal cheaper for the German group.

If shareholders do hold out for a higher offer, they will be gambling that Gehe's desire to diversify away from an increasingly difficult domestic market outweighs its protestation that it is offering a full and fair price. Were Gehe to make its existing offer final, it would be betting that shareholders have lost patience with AAH's con-

 FT-SE Eurotrack 200:
 1990.5 (-3.9)

Matsushita Electric

Share price relative to the FTSE 200 (1990=100)



Source: FT Group Ltd

and inability to realise promises. In any case, Gehe does not need to raise the bid dramatically to be sure of success. An additional 10 per cent would value AAH at about 25 times historic earnings. That is close enough to the 17 times earnings paid by Gehe for France's OCP in 1993. Besides, AAH deserves a lower rating than the French group as there is less scope for rationalisation at the British company. Gehe can take the risk of only marginally increasing the bid: a counter-offer from the likes of BSN, Brunswick of the US, though possible, remains unlikely. If a white knight had been ready to enter the field, it would probably have made its entrance earlier by making an offer.

Tesco's response to an increasingly competitive food retailing environment has been adroit: that is the chief message of yesterday's figures. Tactics - selective price reductions, imaginative incentive schemes - clever expansion by acquisition and the creation of new store formats - have paid off. Like-for-like sales have grown by 7 per cent in the seven weeks since the introduction of the Clubcard incentive scheme, twice the industry average.

But that does not mean competitive pressures are subsiding. The seemingly bizarre stock market reaction in the numbers reflects concerns that, if anything, Tesco's performance was too good. Shares fell across the food retailing sector amid fears that Tesco is almost bound to provoke retaliation. Rivals will fight to grab back market share, with further deleterious consequences for margins.

Tesco has had to sacrifice some of its gross margin to stimulate volume growth, but so far the impact of its various pricing schemes has not been too damaging: the gross margin was down by a modest 0.1 per cent last year. The Clubcard incentive scheme will take a modest toll this year and there are signs that net margins will also come under pressure as staff numbers rise. But for as long as sales growth holds up at current levels, the trade off between margins and volumes is worthwhile. The group's modest discount to the market for the current year looks anomalous when compared with the premium rating still enjoyed by J. Sainsbury.

See additional Lex comment on BBA, Page 22

German economists warn of twin threats to job creation

By Andrew Fisher in Frankfurt

Germany's leading economic institutes yesterday warned the government that the impact of a strong D-Mark and a round of overly generous wage increases are undermining the ability of German companies to create jobs.

The spring report from the six institutes, the most influential of Germany's forecasters, said exports and corporate profits would also be dampened by the strong D-Mark. It also urged the government to overhaul the tax structure to stimulate demand.

The report surprised some analysts, and pleased the government, by forecasting that German gross domestic product would expand by 3 per cent this year, even though the strong D-Mark would restrain growth. Mr Theo Waigel, finance minister, welcomed the estimate as supporting the government's economic forecast.

The institutes said that west Germany's economy would grow

2.5 per cent this year and east Germany's by 8.5 per cent, compared with 2.3 per cent and 9.2 per cent last year. They forecast a decline of only 203,000 in the German jobless level this year to 3.5m, an unemployment rate of 9.1 per cent.

Unemployment at the end of last year was 9.6 per cent, but the institutes said the government had not paid enough attention to job creation. They argued that pension and unemployment contributions should be cut to reduce labour costs and encourage the growth of jobs.

Although the D-Mark had risen by 7 per cent against the currencies of Germany's leading trading partners over the year, the report said companies would maintain market share through cutting prices. It also pointed out the strong D-Mark would reduce the price of imported materials.

The six research institutes - in Berlin, Hamburg, Munich, Kiel, Halle and Essen - also took aim at the recent round of annual

wage increases of about 4 per cent. They said the increases were too large and had put too much of a burden on German companies.

The institutes said taxes and social levies totalled 44.5 per cent of GDP, and "the state is thereby withdrawing financial resources from the private sector at an unprecedented level". The goal of fiscal policy should not just be to cut the budget deficit, the report said, but also to limit the tax burden and stimulate business activity.

The institutes' criticism of tax policy is based on tax cuts for those on lower incomes agreed for 1996.

Made necessary by a ruling of the constitutional court, they establish a minimum tax-free income level of DM12,000 (£5,357) for single people and DM24,000 for married couples. But the report said these figures, based on the 1992 ruling, were too low and that minimum tax rates should also be cut.

Pechiney selling assets to cut debt

Continued from Page 1

round a concentration on aluminium and core packaging activities, described by Mr Rodier as the "two pillars of the group".

He was optimistic about the long-term prospects of aluminium, arguing that oversupply from Russia had been resolved, and he outlined strong growth prospects in packaging areas such as healthcare and beauty.

Mr Rodier emphasised the need to reduce debts. Net debts stand at about FF25bn, substantially more than shareholders' funds of FF15.3bn at the end of last year.

The reduction in borrowings will be achieved partly through a sale of assets, including Howmet, the group's US turbine components operation, and its US glass and food packaging businesses. The businesses represent about a fifth of group turnover and

more than 20,000 employees.

The revenues from asset sales are to be buttressed by a capital increase. Mr Rodier said the capital raised would be between FF2bn and FF3bn and would not involve any participation by the French state. News of the capital increase prompted a sharp fall in Pechiney shares, which lost FF17.9 to FF31.7.

Mr Rodier's strategy also involves limiting investment to activities with growth potential.

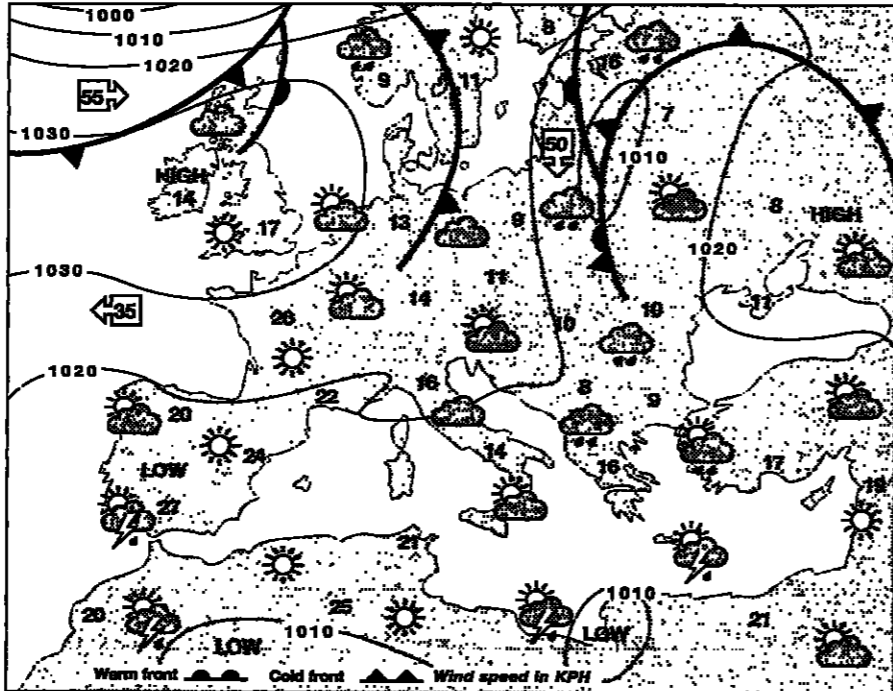
FT WEATHER GUIDE

Europe today

Strong high pressure over the British Isles will influence much of western Europe. England and Wales will be dry with sunny periods. The Low Countries will see a weak frontal system, followed by clearer weather in the afternoon. France and northern Spain will have a lot of sun. Southern Spain and Morocco will have a few thunderstorms and temperatures will range between 25 and 30C. Eastern Europe, the Balkans, Greece and western Turkey will have rain, which could be heavy at times.

Five-day forecast

In the course of the week, high pressure will move away from the British Isles. An active depression over northern parts of the North Sea will move south-east, and will stall over Denmark at the weekend. This will lead to changeable conditions over most of western Europe and temperatures will gradually drop to below normal. Much of the Mediterranean will have mainly settled conditions.



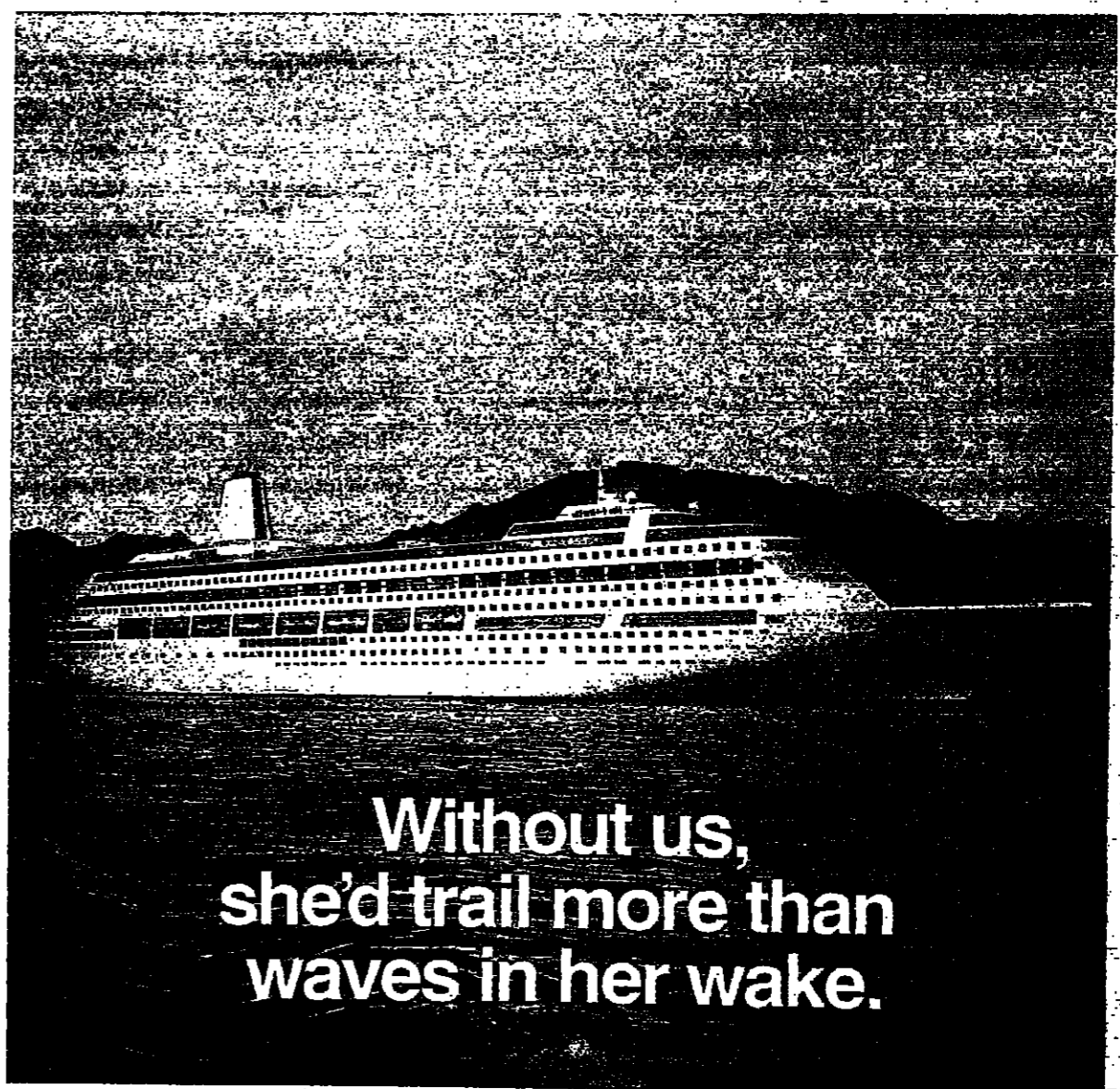
TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	sun 33	Beijing	sun 21	Caracas	sun 29
Accra	cloudy 34	Belfast	sun 14	Cardiff	sun 15
Algiers	sun 21	Belgrade	cloudy 14	Casablanca	sun 20
Amsterdam	sun 13	Berlin	cloudy 14	Chicago	cloudy 11
Athens	sun 18	Bombay	sun 32	Colombo	sun 28
Atlanta	sun 23	Buenos Aires	sun 15	Dakar	sun 21
B. Aires	sun 16	Budapest	sun 15	Dallas	sun 22
Bahia	sun 15	Cairo	sun 21	Dubai	sun 33
Bangkok	sun 36	Cape Town	sun 24	Dubrovnik	sun 13
Barcelona	sun 19			Edinburgh	sun 14

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Faro	showers 21	Madrid	cloudy 16	Rangoon	sun 36
Frankfurt	cloudy 16	Malta	sun 17	Reykjavik	rain 4
Geneva	sun 17	Manila	sun 28	Rio	sun 29
Gibraltar	showers 21	Manchester	sun 18	Rome	sun 18
Glasgow	sun 14	Mexico City	sun 28	S. Francisco	sun 19
Hamburg	cloudy 13	Moscow	sun 17	Seoul	sun 17
Helsinki	sun 17	Mumbai	sun 32	Singapore	showers 32
Hong Kong	sun 28	Nairobi	sun 29	Stockholm	sun 12
Honolulu	cloudy 29	Paris	sun 17	Strasbourg	cloudy 16
Istanbul	showers 14	Perth	sun 14	Sydney	sun 23
Jakarta	cloudy 31	Prague	cloudy 13	Tampere	showers 19
Jersey	sun 13	Vienna	sun 18	Tel Aviv	sun 29
Karachi	sun 34	Warsaw	cloudy 16	Tokyo	cloudy 16
Kuwait	cloudy 27	Wellington	showers 18	Toronto	showers 18
L. Angeles	sun 24	Yokohama	sun 12	Vancouver	rain 12
Los Angeles	sun 24	Zurich	cloudy 15	Vladivostok	sun 13
Lima	sun 28			Yokohama	sun 10
Lisbon	showers 25			Zagreb	sun 8
Luxembourg	sun 17			Washington	showers 20
Lyon	sun 19			Wellington	showers 17
Madeira	showers 20			Winnipeg	sun 5
				Zurich	cloudy 15

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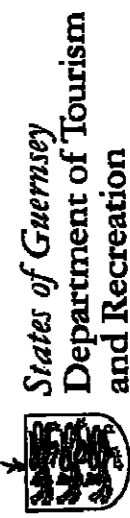
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FINANCIAL TIMES SURVEY

Guernsey

WEDNESDAY APRIL 12 1995



551 من الامم

INTRODUCTION

Prosperous island seeks to assert its own identity

But the question often asked locally is whether the risks in the economy need to be more widely spread. Barry Riley reports

In its long history, Guernsey has probably never exploited its position just off the coast of Normandy to greater advantage than during the recent period of growth in the finance industry. Although the economy has slowed sharply during the 1980s, the island has avoided the actual recessions that have affected the big neighbouring economies of the UK and France.

Yet the commemoration ceremony next month of the liberation of Guernsey from German occupation 50 years ago, an event for which the Prince of Wales will visit the island, will provide a reminder that this geographical situation can bring vulnerability too.

Although a Nazi occupation museum provides a rainy day diversion for curious tourists, the wartime occupation - which lasted right until VE-Day, some 11 months after Normandy was liberated - has never been a great topic of local debate.

There were too many conflicting memories of bravery and betrayal, of oppression and compromise, for the long years of

occupation to be discussed without opening old wounds. Today, those personally involved have died or grown old. Yet the experience of occupation must still affect Guernsey's relationship with the United Kingdom, from which it is fiscally and domestically independent. The UK, on behalf of the Crown, retains responsibility for external affairs, including defence.

In recent years the threats from continental Europe have been less catastrophic but the relationship with the European Union has at times been the subject of nervous debate.

The position is now regarded as secure. The Bailiwick sits politically, as well as physically, on the edge of Europe. It is within the customs union for physical and agricultural goods, but under Protocol 3 to the UK's Act of Accession to the Treaty of Rome its finance industry is sheltered by the Single Market rules laid down by Brussels.

Money and the job of Man are similarly protected. Although the times islands can prosper, special relationships with the wider world are essential. Guernsey has a strong with the UK - in general they are seen as business from clients who want access to European markets but do not wish to come within its fiscal or regulatory orbit.



Paul Buchanan: 'I don't like to see us arguing

Employment by Economic Sector	1989	1991	1994
Exporting sectors	589	679	857
Manufacturing	2238	1860	1715
Hotels	2235	2201	1865
Finance	3986	4483	6010
and total	8633	9453	9547
Other sectors	309	332	300
Construction	2103	2143	1782
Utilities	483	485	391
Transport	1161	1072	885
Personal services	4923	4400	4578
Recreation/cultural	318	278	235
Miscellaneous business	854	869	878
Information services	552	582	611
Health	1882	2026	1887
Education	1019	1182	1213
Public administration	2397	2088	2365
Non-profit	124	118	123
Total	25,434	25,862	25,324

Source: States of Guernsey Advisory and Finance Committees and Social Security Agency

For those seeking "customer" centres, the island has the EIL, Luxembourg and Dublin are in several respects better centres for doing business across Europe.

Mr Charles Tracy, chairman of the Guernsey International Business Association, and a banker at N.M. Rothschild, says that the finance industry is attracting a satisfactory level of business. "The labour market is reasonably in balance - it's the best I can say," he says.

Although the offshore finance industry is now extremely well established in Guernsey, it has grown up in a comparative

ON OTHER PAGES



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Production Editor: Philip Sanders



Guernsey Post Office plans special stamps for the Liberation anniversary

TOURISM

Focus switches to mainland Europe

Guernsey is looking beyond the UK to new markets and a different kind of visitor, writes **Harriet Arnold**



St Peter Port: forward bookings from mainland Europe are 50 per cent up

In the 1980s, when the furthest south that British Rail employees could travel on free tickets was the Channel Islands, they flocked to Guernsey with their families and their buckets and spades. Now Guernsey is having to look beyond the UK to new markets and a different kind of visitor.

In recent years, Guernsey has lost out to more exotic destinations, while the local stock has diminished as self-catering and guest house accommodation has been converted to dwellings because of pressure on housing stock.

"We would like to think that the tide has been stemmed," observes Mr Christopher Brock, director of tourism, while admitting that the reduction in bed stock from 15,000 in 1985 to just over 5,000 in 1994 looks dismal.

However, the trend in forward bookings has been steadily downward, and visitors are looking for and staying an average 5.5 days in 1985, compared with 6.0 days in 1984.

Mr Brock detects a halt in the decline in 1994, but also notes applications for new beds, mainly in the 100- and 150-room level and in self-catering.

In the meantime, "there has been a fundamental change in marketing policy," says Mr Brock. "Without regarding the UK, the focus now is on continental Europe."

It is here that an increase, albeit from a very low base, has been seen in the number of visitors to Guernsey. The current mix of visitors is roughly 70 per cent from the UK (half of which come for a package holiday), 10 per cent from Jersey and 20 per cent from mainland Europe and North America. The non-UK market is absorbing nearly 50 per cent of marketing resources, says Mr Brock.

He says that continental European visitors are attractive for several reasons: they are in the AD socioeconomic group



Christopher Brock: change in marketing policy

(compared with the UK's ABC1, they stay longer, spend about £50 more each, and they appreciate the attractions of Guernsey).

"There is growing interest in green, environmental holidays and they appreciate Guernsey's strengths in the opportunities for walking or cycling as well as clean beaches and clear atmosphere," says Mr Brock.

Guernsey, he notes, already has seven of the 100 best bathing beaches in the British Isles, high on these visitors' lists is a trip to the islands of Herm or Sark where there is a lot of peace and quiet.

Mr Brock sees Guernsey's main competition for these tourists as Ireland, Scandinavia and Scotland. The leading markets are Germany, France, Switzerland and the Netherlands.

Malinland European visitors are more likely to make Guernsey their main holiday, while UK bookings are increasingly made as last-minute second holidays. So far this year, forward bookings from mainland Europe are 30 per cent up, from just under 10,000 last year. The fact that these visitors stay longer probably accounted for a slight upturn in bed-nights recorded for 1994.

For the 1994 season, a free video about holidaying on the island was sent to every inquirer - 200,000 for the UK and 80,000 to mainland Europe (produced in German, French and Dutch). So far this year, 150,000 inquiries have been received from mainland Europe.

"The general feedback is that it played a significant role in maintaining 1994 figures overall and certainly was significant in mainland Europe," says Mr Brock.

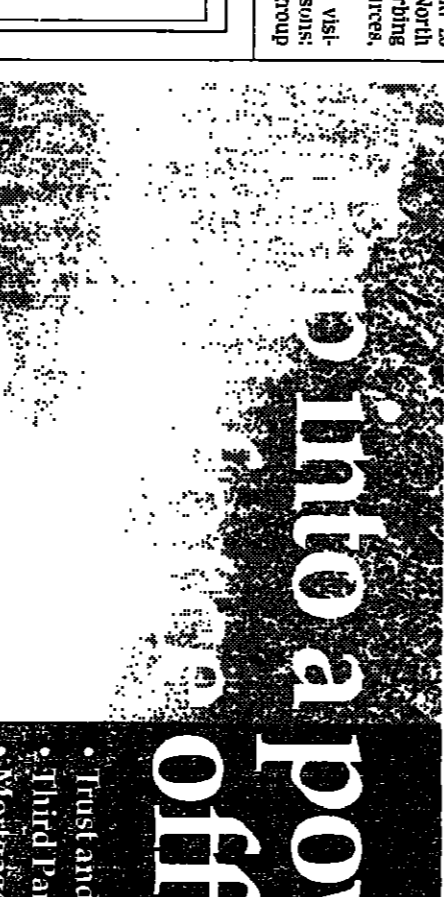
In shops in St Peter Port the owners

agree only too readily that tourists are getting fewer and the season is getting shorter. They are less confident than Mr Brock that inquiries for the video convert to bookings and some would like to see direct subsidies to keep the cost of travel down.

A recent Touche Ross report led to a closer look at the question of quality. "We stress quality continually," says Mr Brian Sheriff, chief executive of the Guernsey Hotel and Tourism Association (GHTA), which represents 90 per cent of the bed stock in the accommodation sector, mainly in hotels and self-catering. But, he says, hotel managers face no uphill task because of the turnover of staff exacerbated by the restrictions on importation of workers.

"The Touche Ross report confirmed everything we've been saying for years," says Mr Sheriff. "The sector needs a 'decent level of profit' and GHTA is pressing the States for support, for example through favourable planning decisions for building new self-catering facilities, or tax allowances to attract more people into the sector."

When you stay here, you'll find it hard to leave.



Hotel de France

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There are about 450 beds for visitors on Alderney, including self-catering, guest houses and hotels. About 7,000 yachts called last year and about 6,000 visitors arrived by air. Photo: Channel Islands in Guernsey

Alderney: tiny but tantalising

On a clear day, Guernsey's offshore islands are tantalisingly visible, including - way up to the north - Alderney, "a rock in the English Channel" measuring three miles by 1 1/2 miles. You reach it by commercial aircraft, by yacht or by private aircraft, writes Brian Arnold.

Income to the island from tourism is very important, says Mr John Russell, chairman of Alderney's tourism committee. "We're probably couldn't have an air link with the mainland without the visitation, pubs and other services would suffer," he says. And "it helps keep down the price of a tin of baked beans, too". So tourists are being wooed, but "Alderney is an undeveloped island and we want to keep it that way," says Mr Russell. It is ideal, he says, for young families because the beaches are "safe and sandy - the sand is pure white and as fine as powder" - or for over-45s seeking peace and quiet.

There are about 450 beds for visitors, split between self-catering, guest houses and hotels. Last year, about 7,000 yachts called in to Alderney and an estimated 6,000 visitors arrived by air.

Alderney is keen to develop its offshore finance industry. It has its own new companies legislation - The Companies (Alderney) Law 1984 - although financial companies are policed by the Guernsey Financial Services Commission. The UK's Fortnum Building Society has an operation on the island.

Alderney's many attractions include: wild birds, wild flowers, shooting, and a national Jugling Festival, and a real club, its municipality sea sailing and the private small aircraft sea sailing and the Alderney Museum, believed to be from the 13th century.

The island has relaxed its licensing laws so that alcohol is now served from 11am to 1.30am the next morning.

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Turnover from philately exceeds £2m

Guernsey Post Office regularly issues new stamps and annual turnover exceeds £2m. The issues cover a wide range of themes and are valued in appearance. A special issue for May 8 commemorates the 60th anniversary of the liberation of Guernsey when occupying German forces surrendered to British troops. Mortgages of original photographs have been used to illustrate some of the emotions of that time. There are five stamps in the set.

Another set of stamps, The Welcoming Face of Guernsey which was released on February 28, is designed specifically for holidaymakers.

The set of eight greetings stamps is priced at 24p each; the rate which takes letters and postcards from the Bailiwick of Guernsey to the UK. The souvenir sheet has eight appropriate greetings messages around the edges.

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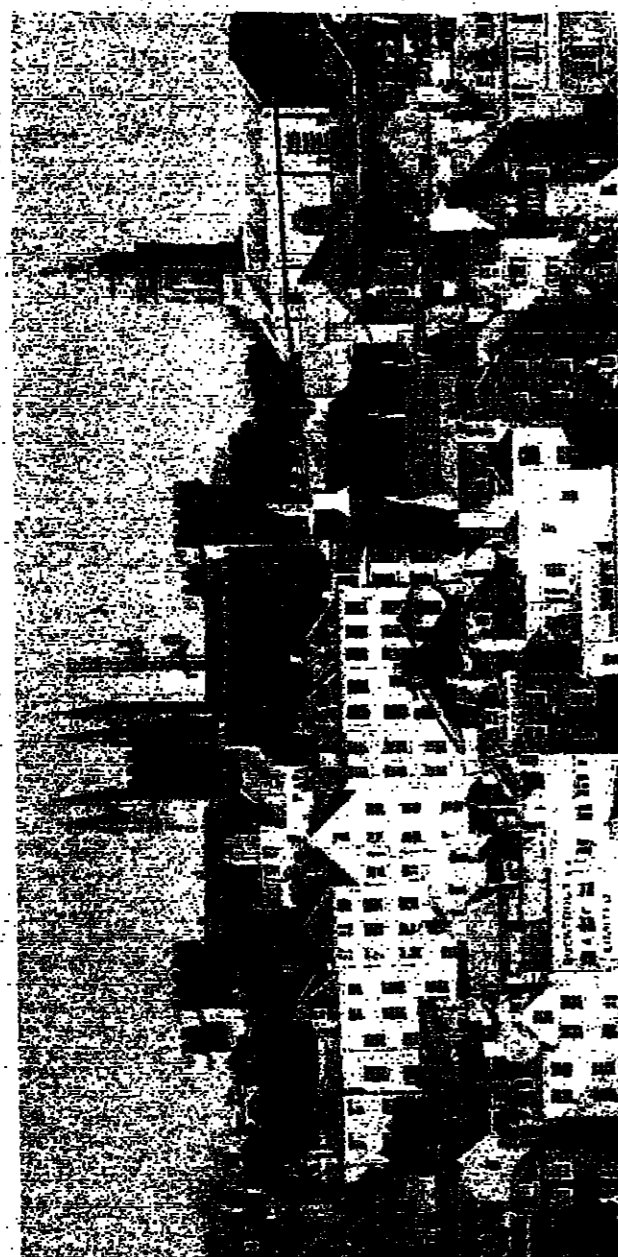
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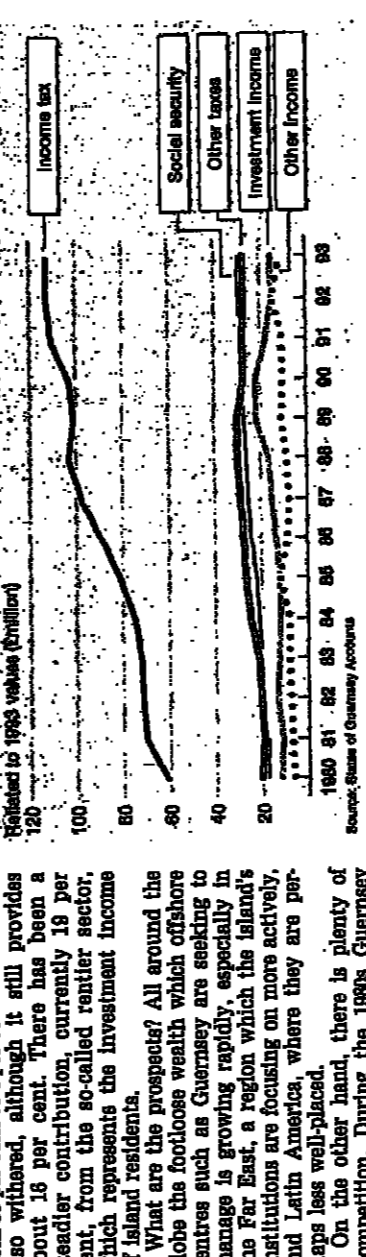
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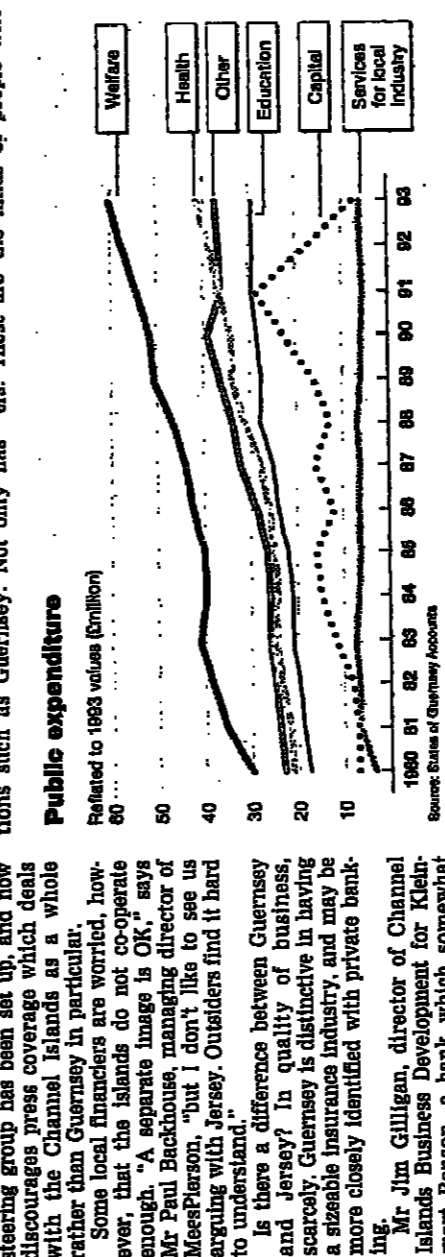
The UK, on behalf of the Crown, retains responsibility for external affairs although Guernsey is locally and constitutionally independent. Photo: Tony Ashman

Public finances revitalize



Instant communication became possible with leading offshore financial centres but equally between Jersey and Guernsey, says that client preference often plays a part in deciding which island will get the business.

One risk, however, is that back office staff or Guernsey many years ago on hold. That the business comes at all is largely the result of advanced technology, which has seen a radical element in the growth of offshore finance in isolated locations such as Guernsey. Not only has the era. These are the kinds of people who



Source: States of Guernsey Accounts

Mr Gordon McDonald, a partner with the accountants XPMG Pent Marwick, points out that his office has clients in more than 70 countries. "It's a one-legged economy. That's why as an island we have to achieve geographical spread to reduce the risks," he says.

Finance, it is also argued, is not one industry but several: banking, investment funds, insurance, trusts, and so on. Guernsey, as a result, has a wide range of deep allegiances. St Peter Port will quickly reveal, has a good spread across all these areas.

It is an invasion that, by and large, is welcomed by the islanders. Just like the occupation by the Third Reich it may not, after all, last for a thousand years.

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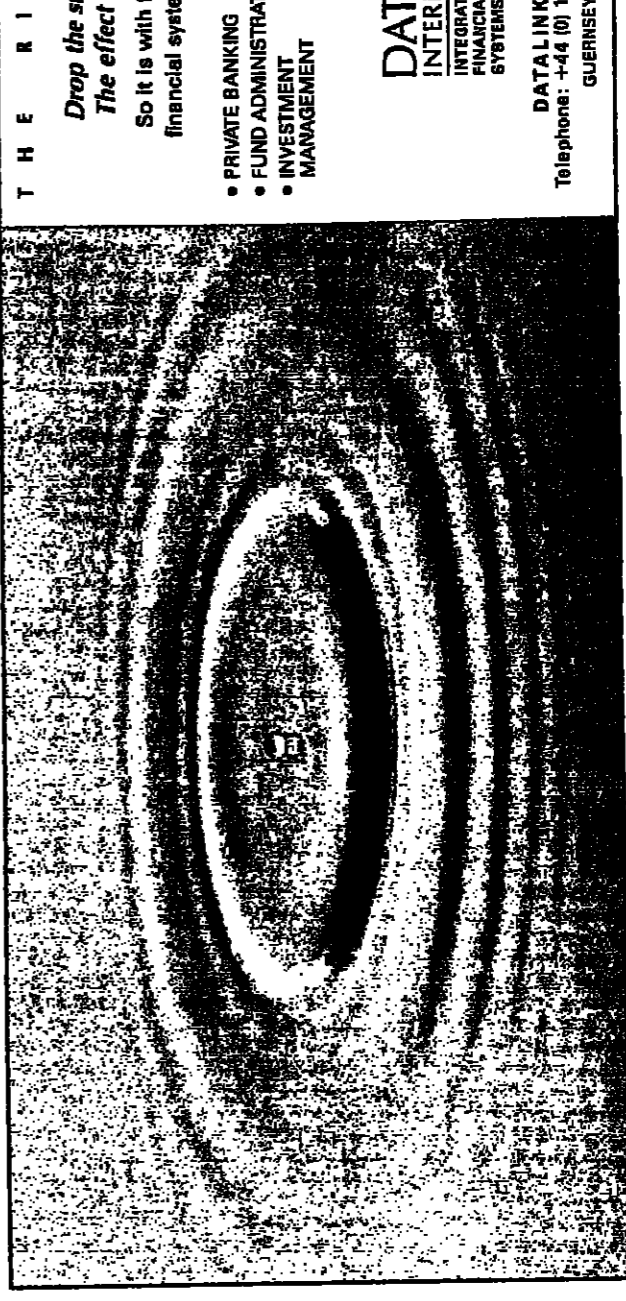
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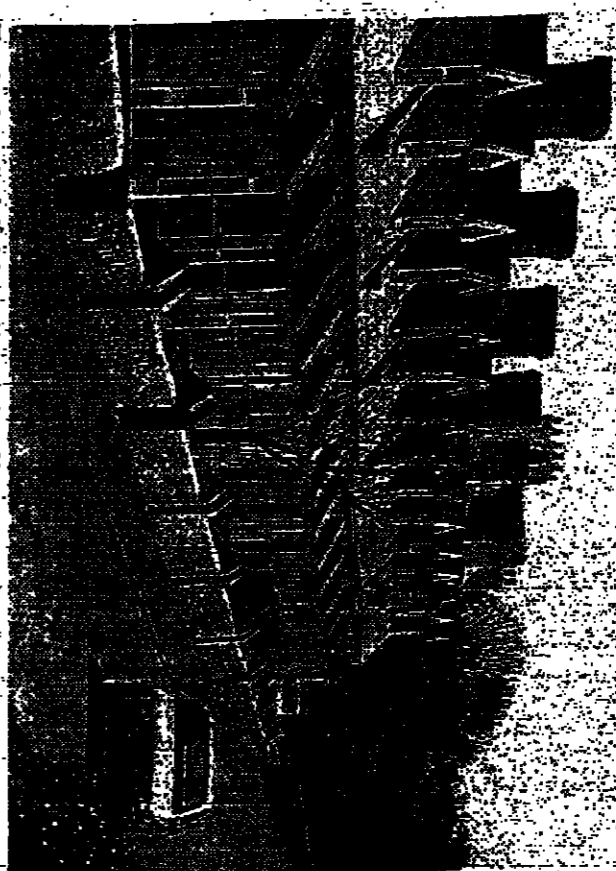


Photo: Tony Anderson

THE ECONOMY

Recent signs of a modest upturn from the 'plateau'

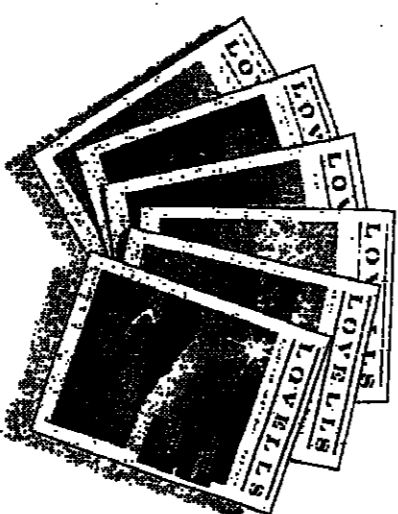
Barry Riley examines the structure of Guernsey's government — and its finances

They don't talk about a recession in Guernsey; they prefer a word like "plateauing". Thus Counsellor Laurence Morgan, president of the Social Security Authority and Vice-President of the Government, says: "We have a buoyant and thriving economy. We went through a plateau

period, but I believe we are now moving upwards." The times of plenty for the States of Guernsey — as the government is called — ended at the start of the 1980s when the government ceased to make a surplus and began to edge ahead only slowly. That led to a coupling of departmental spending budgets which has

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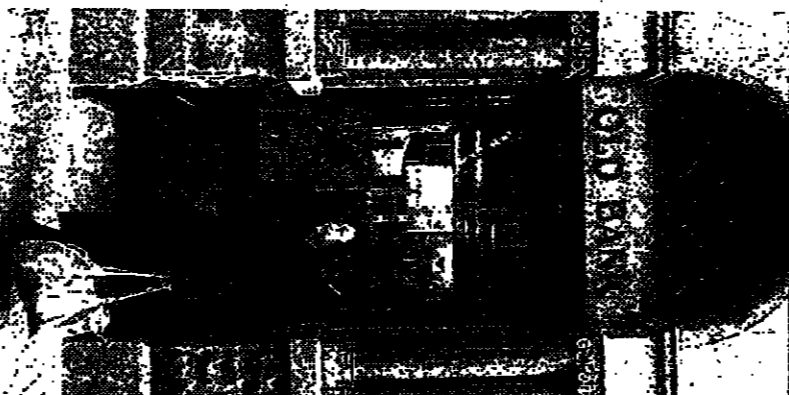
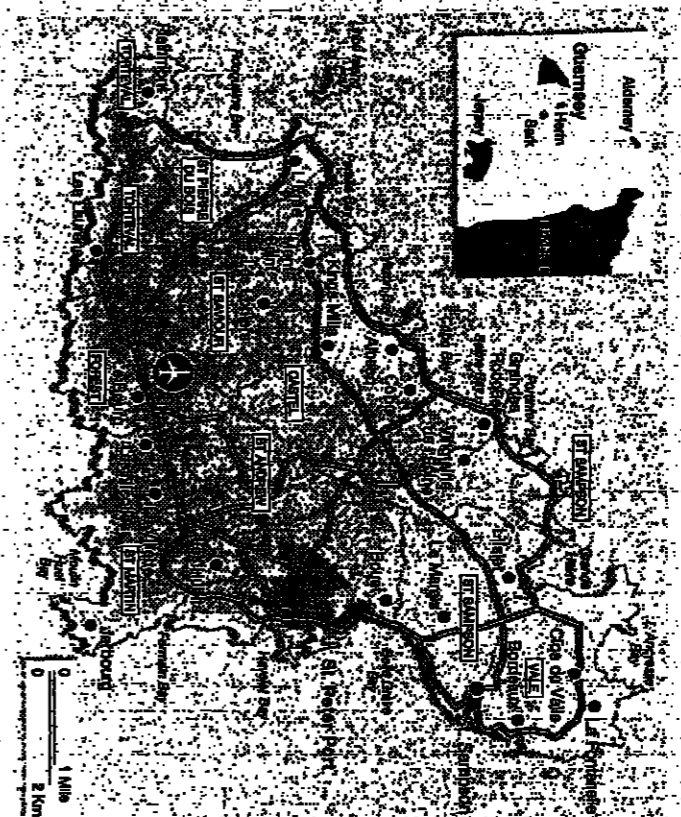
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The comfortable and still very prosperous island is content to renew itself only very slowly.

become increasingly unprofitable. Between 1986 and 1992 the island tucked part of its surplus away in a contingency reserve which was targeted to reach about 50 per cent of annual expenditure. At some £25m, the reserve stands at only about half the target level, and the 1993 budget does not allow much hope that substantial "rainy day" investments will be possible in the near future.

In fact, the fund was drawn on a few years ago to finance the Langue Honore reformation scheme, and the £3.1m involved is being replaced very slowly. But it is argued that, paradoxically, the contingency generated by this topping of the fund will make it more secure against attempted raids in the future.

During the 1980s the budget surplus has been running steadily as expenditure has been cut and income has risen. Nearly a quarter of spending is non-salary and can only be estimated rather than controlled in the short run.

The 1993 budget relies on a 50m transfer from reserves in order to balance, although the actual culture will depend on the buoyancy of income tax (which applies to companies as well as individuals) and accounts for nearly three-quarters of total revenue.

The recent signs of a modest upturn in the economy — social security contributions picked up significantly in the final quarter of 1992 — may mean that the squeeze will be less serious than predicted. Politically, however, the slowdown in the 1980s has brought some doom. The economic pressure that was threatening to drive the island's population above 80,000 has eased, as construction workers and others have returned to the mainland. The States resolved to hold the population below 80,000 by the early 21st century. It is estimated to be 80,000-81,000 today. Strictly, the island is following a zero employment growth strategy.

The slowdown that never quite became a recession also halted the rapid escalation of house prices, which on the local market was running at 20 per cent a year until 1989 and 15 per cent in 1992. It is estimated that the average house price is now about £75,000 or more, and prices in the small detached led sector (open to buyers without right-to-work documents) averages £100,000.

The population pledge is one plank of government in Guernsey. Another is the agreement of the 20 per cent rate of income tax. And in the absence of party politics, government is an effect, by consensus, which sets strict limits on policy.

"The recommendations of the Advisory and Finance Committee have to be supported by at least 29 of the 67 members," says Counsellor Morgan.

The sector has flourished

Profile: Steve Butterworth, superintendent of insurance

Mr. Steve Butterworth developed a keen interest in combating insurance fraud from the time he first began working in insurance, writes Sue Short. This enthusiasm has undoubtedly been one of the key elements of his success as Guernsey's superintendent of insurance in the Financial Services Commission.

Since his appointment as the island's first superintendent, responsible for regulating and developing Guernsey's insurance industry, the sector has flourished and so has his reputation. Guernsey insurance has great respect for his subtle

combination of effectiveness and flexibility. "I reject about 12 applications a year to register insurance companies," he says. And insurance is not just a business; it is a profession, writes Sue Short. "This enthusiasm has undoubtedly been one of the key elements of his success as Guernsey's superintendent of insurance in the Financial Services Commission."

But he also deserves a considerable amount of time and energy to promoting the island as an insurance base, and in this role he speaks at international conferences and exhibitions. "Guernsey is very professional. There are a lot of underwriters here and I find it quite refreshing to

Planning his retirement

Profile: John Roper, FSC director-general

Vivian Mr. John Roper, director-general of Guernsey's Financial Services Commission, reflects in two years time he intends to stand for election as a member of the island's parliament, writes Sue Short. He feels his chances of being elected are quite good, but he is, naturally, keen to improve the island's reputation.

"I have been helping the island over the last few years with the supervision and development of the insurance industry," he says. "I have been helping the island over the last few years with the supervision and development of the insurance industry."

Mr. Roper was appointed director-general of the FSC when it was set up in February 1988. But he had already been in Guernsey since June 1986 when he was seconded from the Bank of England to be Guernsey's commercial relations adviser with special responsibility for banking supervision. Thirty years of his working life have been spent with the Bank of England, which he joined in 1956 after obtaining his degree at Oxford.

He gained experience in various areas of the Bank's work — economic intelligence, overseas operations, the chief cashier's office and secondment to the Monopolies Commission.

Mr. Roper feels one of his best achievements has been to raise Guernsey's profile. "We have established a reputation as a regulatory body people can do business with. Guernsey is no longer regarded as second-best to Jersey — now business comes to Guernsey in preference to Jersey."

He is currently working on introduction of an amendment to the island's company law. He is also determined to see regulation of fiduciary services put in place before the retirement. "We must do something about this fourth sub-sector. Banking, insurance and investment are regulated, but the difficult area is trust and company formation."

Mr. Roper intends to retire in time for the elections to the States, the Guernsey parliament. He is already an elected Deputy, which is the equivalent of a UK parish councillor.

"The chairman of the commission suggested I stand for election as a Deputy. Local politics are so non-party that he couldn't see any reason not to stand."

Only about 3 per cent of the people turn out to vote and I had one opponent whom I beat 171 to 108 votes.

This parish is St. Peter Port, which has the island's charming capital. It is the only parish with a town. Mr. Roper has a wife and two children. He is a member of the Guernsey Golf Club and the Guernsey Cricket Club.

time he and his family had been overseas. Mr. Butterworth enjoyed his time in Guernsey and it introduced him to insurance. Two of the firm's clients had captive insurance companies, which formed a large part of his responsibilities.

He spent three years there before moving to the Seychelles, with a brief stint in the UK in between. In the Seychelles, he was financial director of an insurance group, which provided diverse activities, including an hotel, video rental, duty free shops and other retail.

During his five-year stay, the country underwent a coup and Mr. Butterworth felt that the general atmosphere declined for expatriates, so the family returned to the UK for a few months. Then, in 1982, he accepted an appointment as deputy superintendent of insurance in the Cayman Islands and they happily moved back to Cayman.

Cayman insurance law had only been implemented two years when Mr. Butterworth joined the regulatory body, so it was a period of considerable change. "The superintendent and I worked well as a team — he had underwriting expertise and I was a chartered accountant with insurance expertise. We began a process of cleaning up the industry."

Together they closed down a considerable number of insurance businesses that did not meet the required standards of practice, and refined to means many more unsuitable applicants. "The Cayman Island government is extremely anxious to be a good regulator and is generally fairly successful," he says.

In 1989 Mr. Butterworth was appointed Guernsey's first superintendent of insurance and has worked hard since then to improve and encourage this sector of the island's financial services. He feels that with the limited fund resources available in Guernsey, captive insurance and re-insurance are the most likely areas to continue growing. The expertise offered by the 100 advisers already registered in the island will attract more companies.

Mr. Roper's retirement is a significant event for the island. He has been a key figure in the development of the insurance industry and his departure will be felt. However, his legacy will live on through the work he has done and the reputation he has built for Guernsey as a financial services hub.

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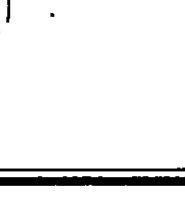
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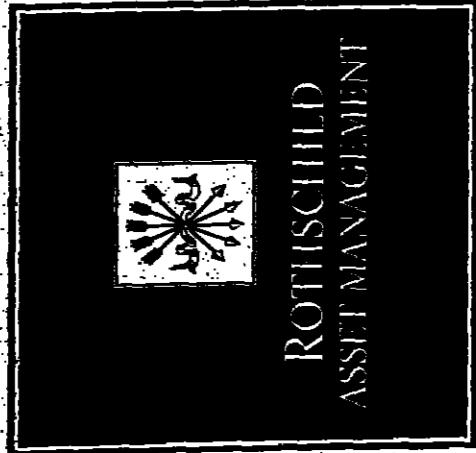
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6 GUERNSEY

EMPLOYMENT

Financial services lead the way

The finance sector is the biggest employer after the public sector. It pays well and offers attractive benefits packages which have knock-on effects on all sectors of employment, writes Harriet Arnold

It is going to be Guernsey, the biggest employer after the public sector. It is also going to be the most attractive place to work in the Channel Islands, so says the Bank of Guernsey. The bank's annual report for 1995, published in the Channel Islands, says that the bank's staff are the most motivated and committed in the Channel Islands. It also says that the bank's staff are the most motivated and committed in the Channel Islands. It also says that the bank's staff are the most motivated and committed in the Channel Islands.

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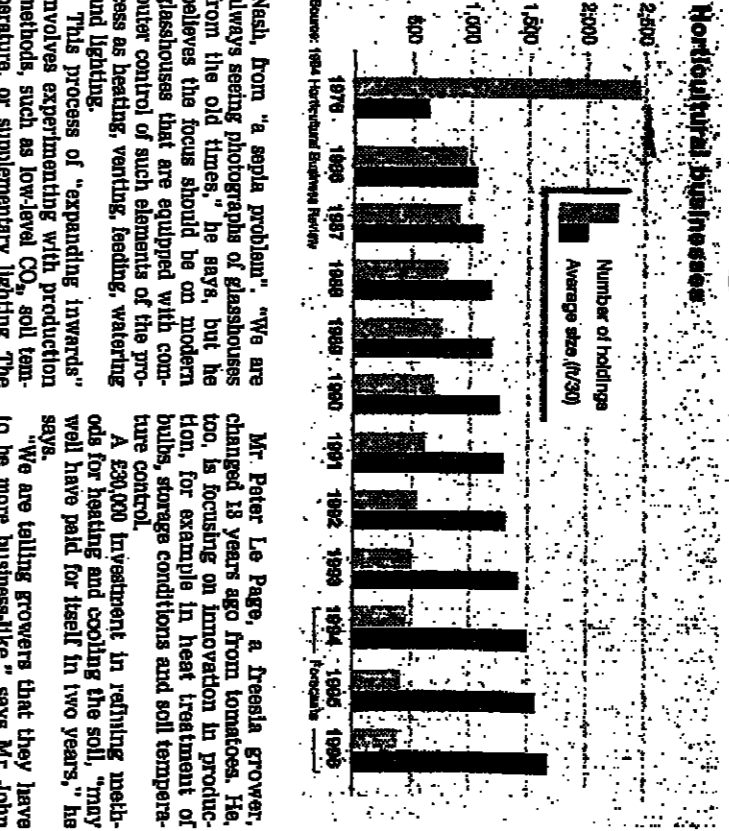
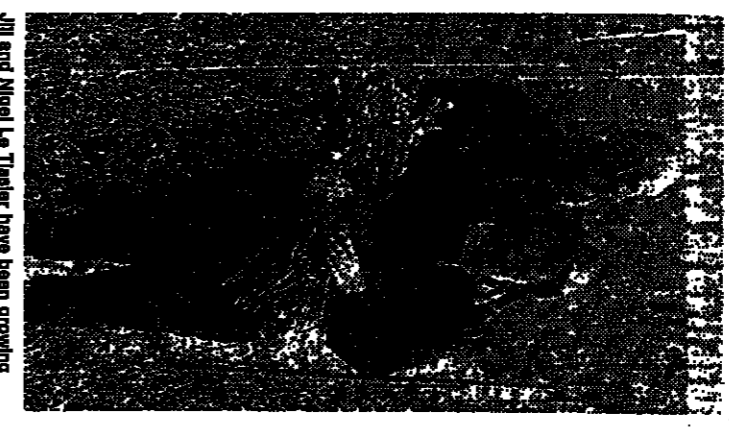
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HORTICULTURE

Growers look on the bright side

Despite the problems, many growers are positive about the future, writes Harriet Arnold

Just as passengers flying into Guernsey cannot fail to notice the sea of glasshouses, so the island is famous for tomatoes and other produce. Down on the ground, however, the story looks at first sight somewhat different. Some glasshouses are derelict while others are just finishing. Yet the Committee for Horticulture, the statutory authority responsible for the sector, and many growers, are confident about the future of their businesses. Many have decided to cut flowers which head up well in the island's climate. The island has reduced funding support to the industry, although it does provide a loan interest subsidy of up to 60 per cent. However, that has not been fully taken up, indicating a lack of confidence.



Mr Peter Le Page, a Trevastra grower, always seeing photographs of glasshouses from the old times, he says, but he believes the focus should be on modern glasshouses that are equipped with computer control of such elements of the process as heating, venting, feeding, watering and lighting. This process of "expanding inwards" involves experimenting with production methods, such as low-level CO₂ soil temperature, or supplementary lighting. The growers also believe they can compete on the island. Mr Bob Sabin, a rose grower who has just installed a new Combined Heat and Power unit, says it is important to export. "There is less glass" says Mr Brown, "but it is a lot more modern" - and therefore more productive. The industry suffers, according to Mr

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A quiet phase of consolidation

Deposits still grew by a healthy 13 per cent last year, but this represented a marked slowdown after the extraordinary expansion in 1992 and 1993.

writes Barry Riley

At the time of Chuan de Garabon, a Swiss banker and entrepreneur who was made governor for life of Guernsey in 1977 by King Edward I, a small island in the English Channel, the Channel Islands, was a quiet place. It was a quiet place, it was a quiet place, it was a quiet place.



Peter Crook: Big banks are doing well



Swiss banks have traditionally prospered. Credit Suisse offices in St Peter Port

Once very much an offshore UK centre, Guernsey has been able to plug itself into a much wider banking expansion which was a feature of much of the 1980s has been replaced, since 1989, by a quieter phase of consolidation.

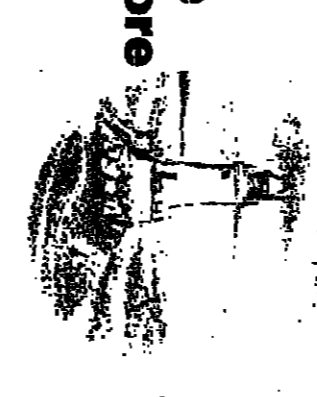
Not all attempts at geographical diversification have been successful. The Japanese bank Sakura came and went, and Japan is now represented only indirectly through Guinness Mahon, which is owned by Bank of Yokohama.

Moreover, the weekend collapse of Barings Bank late in February provided an unwelcome test for the island's legal and regulatory structure. On the Monday morning, the Guernsey Financial Services Commission had to find a hundred telephone calls from anxious depositors. After an uncomfortable week the system survived with minimal damage, but some credit gaps may need to be plugged.

The total number of banking institutions registered in Guernsey has dropped to 72, after peaking at 76 in late 1992. Deposits still grew by a healthy 13 per cent last year, but this represented a marked slowdown after the extraordinary expansion of 69 per cent in 1992 and 57 per cent in 1993.

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business of high net worth individuals. We can't handle high volumes.

One sector still growing is offshore building societies, of which Guernsey has seven (including the Portman in Alderney). These gather deposits from a variety of sources, including UK expatriates around the globe.

Bristol & West International, for instance, increased its deposit base by 40 per cent during 1993 to £500m. Mr Christopher Bradshaw, its chief executive, emphasises that it is a very lean operation compared with, say, a full service private bank, and runs on fewer than 20 staff. "We can demonstrate to the regulators that we earn our keep over here," he says.

Expatriates are generally better paid than UK residents, and they save more aggressively. The average B & W deposit in Guernsey runs to £60,000. The Barings collapse has raised once again, however, the tricky question of deposit protection and so does the life of Man.

Guernsey has always argued, however, that the UK's low-level scheme - applying only up to £20,000, and then, for banks, with only 75 per cent cover - would have little relevance for a banking system with an average personal deposit several times that size.

Some argue that a UK-type scheme would at least improve the image of the island in an increasingly risk-averse world. Mr Crook admits that the Barings scare has made the whole issue topical again, but he would prefer a different approach, of limiting lending exposures - including to parent banks - which in effect would restrict losses to a maximum possible 35 per cent.

Meanwhile the Barings collapse has caused the island's regulators to look again at involuntary law. Guernsey's regulators did not have the option of putting the local Barings subsidiaries into administration, as happened in the UK. If they had been put into liquidation the process would not have been halted when a rescue bid for the parent came along, as it did a week later.

All in all, Guernsey has welcomed Barings' buyers ING with open arms. Apart from anything else, it gives the island a bit of top Dutch bank, along with ABN-Amro (through the Mees-Peterson subsidiary) and Rabobank.

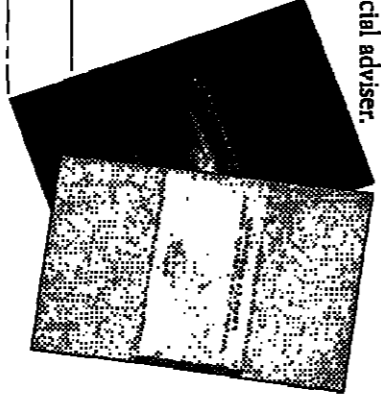
But at the beginning of March ING also helped to resolve a potentially tricky local currency situation as Barings Brothers (Guernsey) teetered in a legal no man's land.

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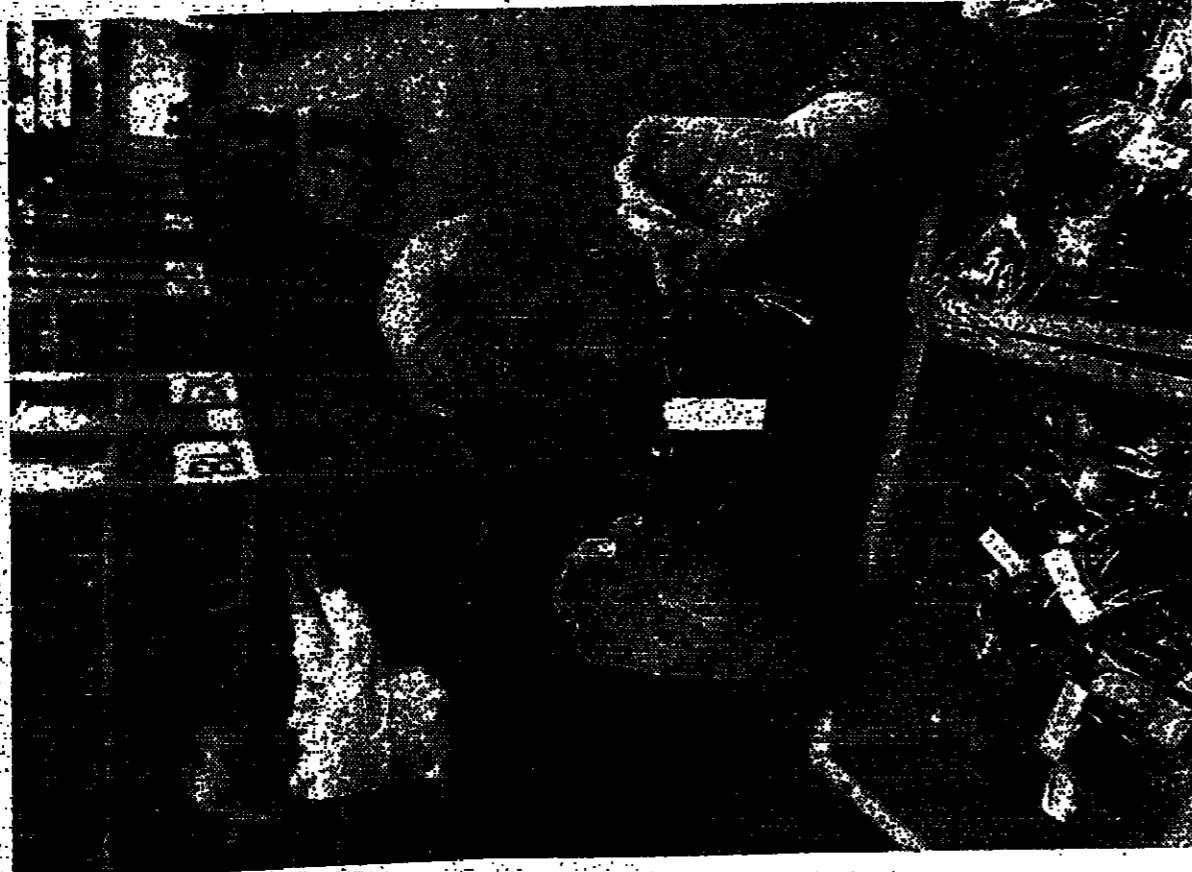
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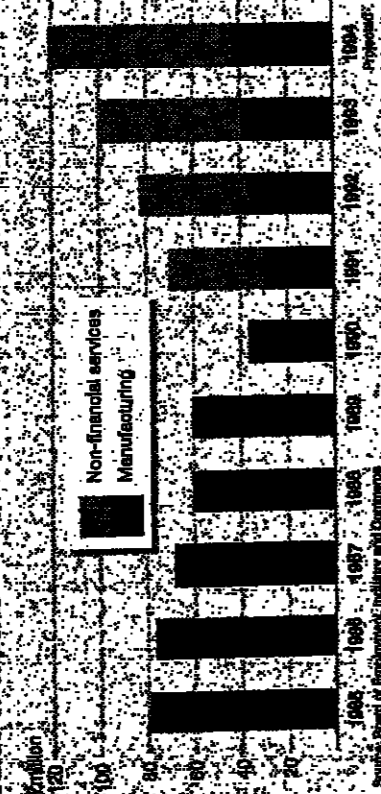
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Speasavers Optical Group employs nearly 300 staff on Guernsey

Photo: Tony Andrews

Value of exports



■ INDUSTRY

A haven for manufacturers

The sector has staged a comeback, due partly to the growth of the non-financial services sector, reports Harriet Arnold

Guernsey and manufacturing are two concepts that do not immediately seem to belong together. However, the island has a small light manufacturing sector that in the past 15 years has grown, led and then staged a comeback due partly to the growth of the non-financial services sector.

With constraints on land and labour, and the high cost of freight, the Guernsey industrialist best-placed for success is producing high added-value goods that require minimum additional labour and with a low environmental cost - whether as a boat builder making luxury craft for export or a software house that has grown up with the finance sector and becomes an exporter.

Mr Nigel Lewis, chief executive of the States Board of Employment, Industry and Commerce, says Guernsey should encourage ventures that are "clean, don't bring in loads of heavy materials and which add to the number of companies producing". They would then be able to attract sales and investment from outside Guernsey, and within the island, he adds, "the scotch whisky distiller, handles the management and administration of all new business developments from Guernsey. "Having bought a small manufacturing operation here (Charmel Island Cream Liqueurs) we discovered the benefits of operating from Guernsey which were previously unknown to us," says the company.

Mr Lewis prizes ventures with high added-value products that will bring export earnings or reduce the island's imports burden, whose staffing needs match local availability, and which contribute to the freight network - as well as making significant tax contributions. These benefits must be balanced against demands on space, housing and the environment.

Manufacturers themselves are attracted by the tax regime, the stable government and ease of access to decision-makers; the lifestyle for company principals; availability of specialists and skilled workers; the light legislative burden; and absence of industrial relations problems.

However, they complain about obstacles to expansion, such as the island's trading relationship with the European Union (such as restricted VAT), the loss of power and freight and the lack of local training facilities for specialists.

The light manufacturing sector took a knock in 1989 when US electronics giant Tektronix moved out. However, it left a valuable legacy of skilled people and its old manufacturing site.

The Tektronix premises have just been refurbished to house the headquarters of Speasavers Optical Group, the optician retail franchise group.

Ten years ago Doug and Mary Perkins came to Guernsey in semi-retirement, when they realised that deregulation of the UK optician market offered potential

for a new venture. Now they head an organisation with 20 per cent of the UK market, and expect to reach 25 per cent soon.

Speasavers Optical Group also plans to move into Europe. It employs nearly 300 staff on Guernsey and the 1994 turnover for the Guernsey operation was £25m. The whole group, including the opticians' practices, turned over £10m in 1994.

About 300 Speasavers stores are serviced from Guernsey. "We don't trade in the UK - we provide management services for an agreed fee," explains Mr Perkins. "With our central management structure we can encourage opticians to just do 'opticianing', he says, while Speasavers Optical Group takes on the distribution, administration, marketing, financial and product planning in Guernsey.

Distance does not prevent the island being very much hands-on," says Mr Perkins, though, "I'm not involved in tech-

nology, I'm just involved in investment in technology. I'm just involved in investment in technology."

The Tektronix legacy to Polar Industries, producers of a range of fault-finding instruments, such as oscilloscopes, was a pool of electronics skills.

Polar already existed as a sideline for Doug Campbell, now Polar's marketing director, who took the opportunity to expand when Tektronix left. "The core of the company is design and development," says Martin Mann, the managing director. Manufacturing is done by another Guernsey company, Offshore Electronics. The two companies "earn by collaboration," says Mr Mann. "Guernsey people are very co-operative as well as adaptable."

Polar now plans to expand by moving into the controlled impedance testing market.

"When people visit us here on Guernsey they are surprised at how small we are," says Mr Mann, "but the market is seeking a standard that we can provide."

Datalink International has developed from a bureau service run out of a Toronto business's spare computing capacity to a software house that has expanded along with the finance sector.

Datalink provides computer systems for offshore banking and finance and has just launched Vigil, a timely derivatives management system.

"The demand for technical innovation is very high," says Mr Stephen Taylor, sales and marketing director. In Guernsey, "financial companies want to grow their business and must do it by automating the processes."

Datalink has responded to limits on staff numbers by acquiring a competitor, US company IRT, with offices in Miami and London. IRT staff's technical abilities complement Datalink's.

"We manage and specify here, and manufacture elsewhere," says Mr Taylor. Any need for specialist input can be satisfied, he says, by hiring people into one of the on-shore offices.

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FUND MANAGEMENT

Learning from the Barings crisis

The upset came just as the island's regulators were preparing for this month's routine inspection, reports Barry Riley

Probably the Barings crisis together to help, although the fund management, itself. This is because the Barings crisis was the largest local and international investment funds (although, contrary to popular belief, Barings Bank itself was not a hedge fund). While GIPF itself was never involved, it became tangled up with its parent, hedge fund because of the freezing of its deposits. Clients such as shareholders found their dealings had to be temporarily suspended.

Barings quickly lost the capacity of an important client funds including those of Old Mutual. It was also lost - at least temporarily - the prestigious job of acting as custodian for the Guernsey States' *Sovereign* Contingency Fund.

Guernsey can be moved more easily than that administration. Even so, there is thought to be plenty of marketing activity as predators circle around the clients of the troubled Barings group.

It has to be emphasised, however, that although they may have suffered some temporary reputational damage and, strictly speaking, in Guernsey, the management owned by Barings Bank itself, rather than Barings Bank itself.

The structures for this trading assets appear to have worked except to the extent that liquidity within the funds was committed to Barings Bank in London. The funds affected were faced with a tricky decision on how to value the frozen deposits. Apparently none of the funds

was lost in during the week in question, although some were likely to have been instructed.

The upset came just as the island's regulators were preparing for this month's routine inspection under Section 87 of the Guernsey Financial Services Act by two officials from the Treasury. This is to assess the performance of a so-called 'Designated Investment Fund' (DIF) as a hedge fund. The Guernsey Financial Services Act states that a DIF is a fund which will be going on to hedge risk and be marketed without restriction in the UK. In practice, only Guernsey's 'A' status is granted for unrestricted sale on the mainland, 'B' funds are also regulated, but to a rather lower level of protection.

The inspectors will be looking to see how the rules have been enforced, but the visit is also regarded as offering an opportunity for discussion about how Guernsey's rules can be brought up to date while remaining acceptable to the mainland.

Since 1988, the UK's unit trust rules have been somewhat relaxed, for instance in terms of permitted investments, and in the use of derivatives for what is described as 'value' or 'portfolio management'. Moreover, there are negotiations going on for the introduction of open-ended investment companies which will be valued according to a less complicated single pricing formula. Thus it may be possible for the rules for Guernsey's A and B schemes to be moved closer together, while still preserving the Section 87 principle that Class A funds must offer similar protection to that applying to UK collective funds.

Immediate moves are unlikely, however. "I may be sensible for us to wait for the publication of the open-ended investment company rules in the UK," says Mr Chris Le Marchant, assistant superintendent of investment business at the Guernsey Financial Services Commission.

Meanwhile there is bound to be discussion of investment fund custody in the UK. Guernsey's custodian has to be kept separate from unit trust management but in Guernsey the two functions can be ex-



Barry Riley, Guernsey is busy busy

ecuted within the same group although not when one company is a subsidiary of the other.

Complexity separation might be a little better response, but it would not have helped in the Barings case. Rather, a more sophisticated control is required of the richness of custodian banks.

Recent statistics show that funds are continuing to be established in Guernsey but the weak securities market conditions of 1994 took their toll. During the year, the total number of schemes rose by 10 per cent to 908, of which 201 were open-ended and 107 closed-ended. But the aggregate value of the funds dipped by 6 per cent to £1.1bn. Guernsey remains rather smaller in this business than Jersey, where funds total £22bn, although they fell in value by a similar proportion in 1994.

Mr Peter Hart, managing director of Law and Fund Managers and new chairman of the Guernsey Fund Managers Association, says that Guernsey is "bitterly busy". It is focused on attracting business that does not need to be sold to the general public in Europe - business that these days is channelled through Luxembourg or Dublin.

The emphasis for new business development is not on institutional funds, "We don't want to do that volume, low value business," Mr Hart says.

Extra opportunities from the summer onwards could be provided by the introduction permitting limited partnerships. This has been passed by the States and will be being drawn up by the GFSC. This legal structure could be especially attractive for venture capital and property funds, says Mr Hart. By last month, according to the GFSC, the number of funds had edged ahead to 312. The number has been on country funds - for anywhere from India to Slovenia - and specialist venture capital pools. The retail fund scene, however, is quiet.

OUR CHOICE

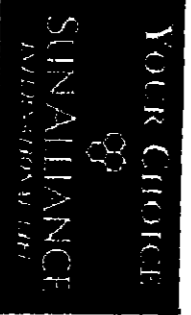
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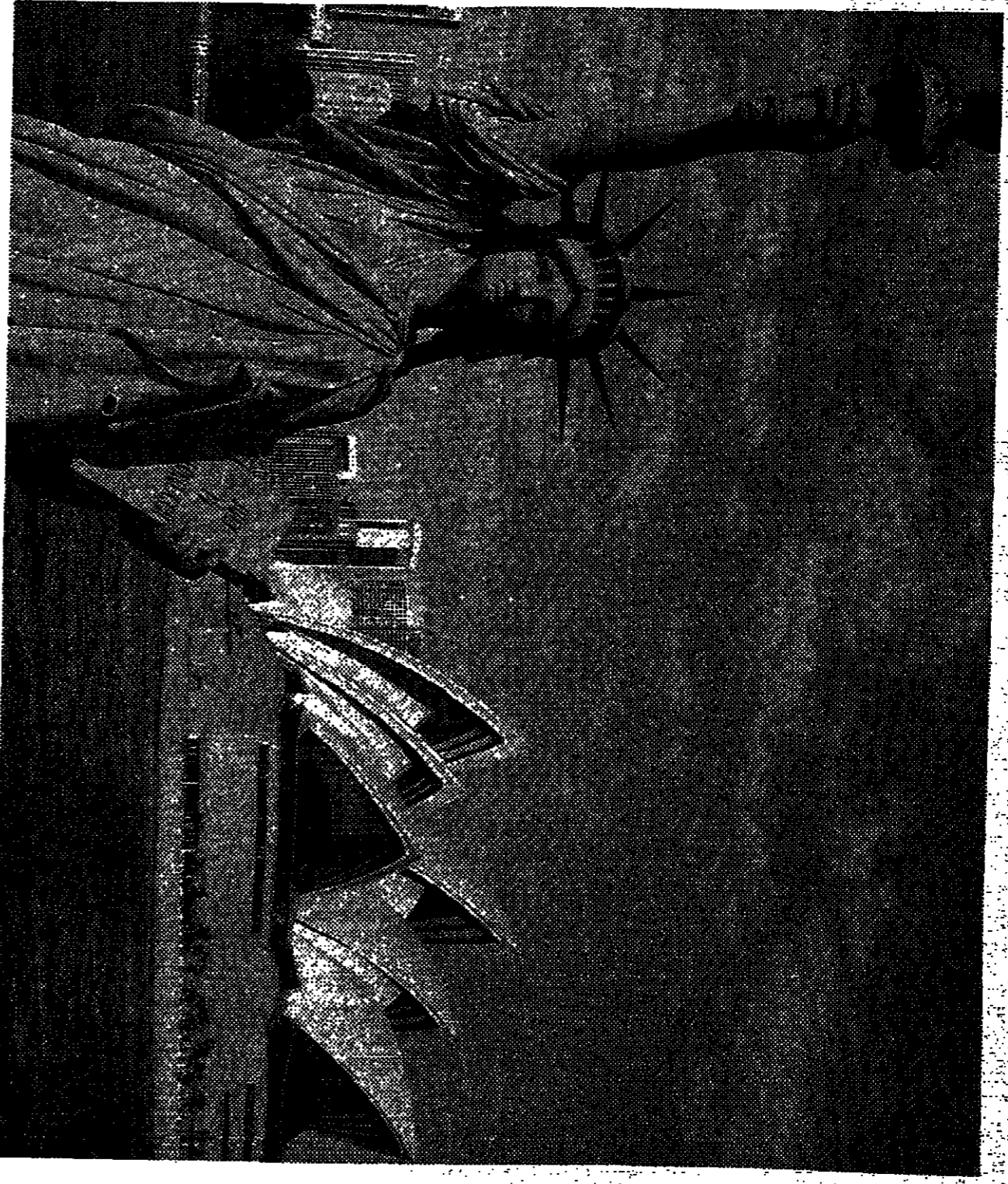
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■ COMMUNICATIONS

Vital links for business continuity

Guernsey is one of the few countries in the world to be completely digital, a target achieved by GT at the end of 1992, writes Sue Stuart

Good communications are vital to the continuity of chemistry's business. Access to the island, both physically and electronically, is generally of good standard and constantly subject to upgrading.

extremely fitting to have to take a series of short hops."

Councillor Laurie Morgan, a leading politician, said: "Everyone agrees we would like it 100 per cent morning, but it would be more expensive. The Chemistry govern-

The island is served throughout the year largely by three airlines, Jersey European, AirYrk and island-hopping AirYrk. From April to October there are sea crossings between Weymouth and Guernsey and the other islands.

Jersey European and AIRC. Jersey daily flights between and to Belfast, Birmingham, Bristol, Exeter, Manchester, Jersey, Southampton, Gatwick and Heathrow. For a day's business in London there is a direct flight to Heathrow at 07.00 with a return at 18.30. There is also a daily jet service departing from Gatwick at 13.45 and returning from Gatwasey at 14.50.

here are no complaints, however.

Most people in the island's business sector are disappointed that there is no early morning jet services to Heathrow. The aircraft used are 727 turbo-prop. Mr John Grant went as far as mentioning the "People's word from a Hebridean perspective" to the UK, the planes used are "dirty and uncomfortable."

This sentiment is echoed by Mr. Grandville de Cruy, of Sandewijk, who has to travel from the island on a weekly basis. He reports pressure from the business community on local politicians to encourage the use of optical fibre.

"Our channels use the air connection. We have one to Zurich but we need connections to France and Brussels. It is more than 200 countries,"

There are three submarine cables linking the Channel Islands to the UK and back-up microwave links through the Isle of Wight and France.

But the main barrier for the islands when setting up cables, says Lord Charles, is the cost. "If you put three cables together, for say a thin, a complete loop of different optical fibre cables has been proposed."

These cables are jointly owned by Gernsey Telecom, Jersey Telecoms and British Telecom.

Mr Alan Collett, marketing manager of GT, said: "With time option, all kinds of information can be transmitted. One telecommunications company already uses our cable and we are trying to persuade others to rent space in it. There is also a big demand from the finance sector for accessing data."

Q. Jersey is one of the few countries in the world to be completely digital, while the GT achieved it at the end of 1992. What includes provision of System X exchanges, digital microwave radio systems to the small neighbouring islands and a cables network of digital optical fibre cables linking all exchange sites and the trunk 'spine' exchange?

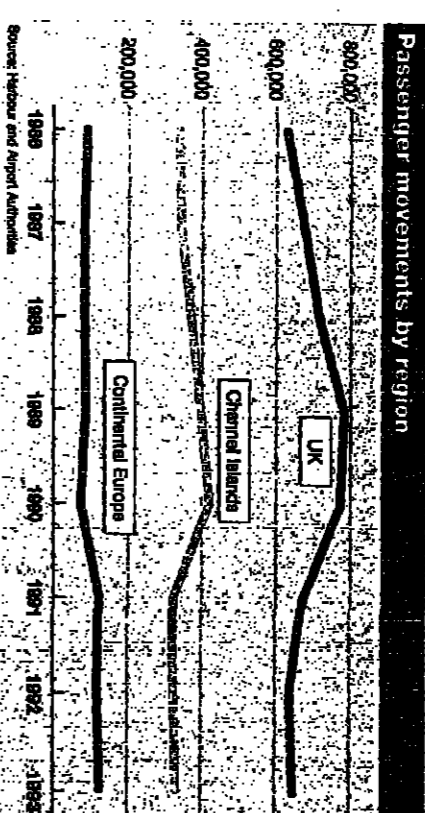
A. However, GT encountered opposition in 1984 when they changed the way island to island.

Samuel X. Sarf, residents were used to a manual exchange still in someone's living room. The operator was usually able to tell callers if the person sought was at home, but Sarf had popped to the shop or gone to a neighborhood bar – a service much valued by the islanders.

Now, most people in Sarf and Alderson would find it hard to manage without their direct-dialling facilities, fax machines and modems.

Cursew, Telecoms is completely independent of BT and is a trading branch of the island's government. GT prides itself on having retained a tradition of no rate changes. The connection charge is 68p per minute for business or domestic lines it 47.40 a quarter and the unit cost change is 3.7p.

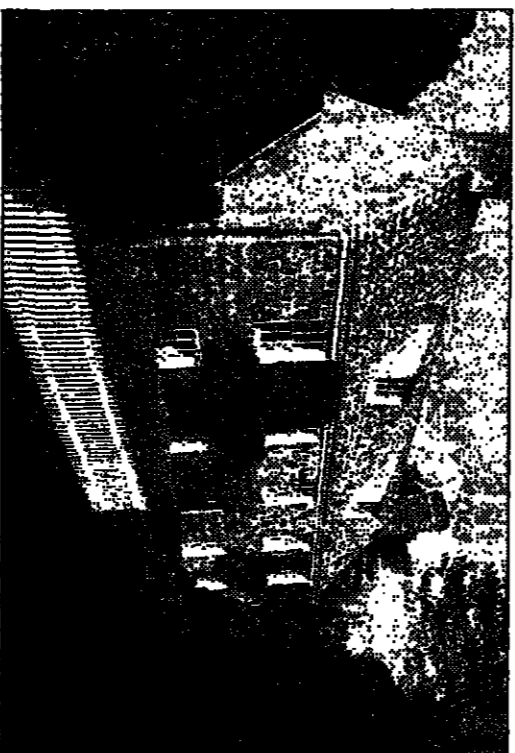
Mr Collesette said that this year GT will be installing its own GSM mobile telephone network for the island. "We believe this is the right system for us because a caller can also use it in the UK, continue till Europe and further afield. It is common for people in the business sector wanting are often travelling."



Passenger movements by region

Source: Hazardous and Airport Authorities

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Michelin reports sharp recovery

By John Riddling in Paris

Michelin, the world's largest tyre manufacturer, yesterday demonstrated the strength of its recovery, announcing net profits of FF1.29bn (\$63.5m) for last year compared with a loss of FF3.67bn in 1993.

The sharp reversal in the French group's performance reflected the revival in the European automotive market, continued strength in the US, and the impact of an aggressive cost-cutting programme, according to Mr Eric Bourdais de Charbonniere, finance director.

He said the company was on target with its two-year plan to reduce costs by FF3.5bn, and confirmed that the restructuring should be completed this year. The group said it was resuming dividend payments with FF2.25 for A shares and FF2.25 for B shares.

Reflecting its more optimistic outlook, the group said it planned to raise investment to FF3.5bn this year from FF2.1bn in 1993. The spending is due to include the establishment of a plant in China. The plant, which will probably take the form of a joint venture, is aimed at capitalising on strong growth potential in the local market.

The recovery at Michelin has prompted industrial disputes at several of its sites. Trade unions, emboldened by the improved results, have demanded increased pay and more job security. They have been encouraged by comments from candidates for France's forthcoming presidential elections, who have accepted there is room for wage rises as the economy recovers.

Michelin has taken a relatively tough line on the disputes. Last week, it said it

would suspend investment in two striking plants, one in the Vendée in south-western France and one in Poitiers, in the centre. Several trade unions at the company have called for stoppages at Michelin's Clermont-Ferrand headquarters to support their demands.

While presenting the results yesterday, the manufacturer expressed caution in some areas, notably in prices for raw materials. However, Mr Bourdais de Charbonniere said the group should be able to offset rising input costs through higher tyre prices. Last month, for example, the company said it would raise the price of replacement tyres in France by 5 per cent.

Overall, Michelin struck an upbeat tone about demand prospects. Last year, it increased the volume of its sales by 9.5 per cent, although

turnover climbed at a slower rate, by 6.2 per cent to FF67.3bn. The gap is due to the fact that replacement tyres, which enjoy higher margins, have recovered more slowly than direct sales to car and truck makers.

Operating profits rose sharply, to FF4.75bn from FF2.2bn, partly reflecting the reduced financial burden on the group. Stronger cash flow helped reduce net debts by FF5.4bn to FF23.4bn.

Analysts were relatively optimistic about the company. "Earnings for 1995 and 1996 are likely to benefit from an improvement in the economic climate, from savings measures and from the continued reduction in borrowings," said Mr Philippe Barrier of Société Générale.

He forecast profits of FF2.6bn for 1995 and FF3.7bn the following year.

ABN Amro lifts stake in HG Asia to 55%

By Ronald van de Krol in Amsterdam

ABN Amro, the big Dutch bank, yesterday acquired an additional 35 per cent stake in HG Asia Group, a leading Asian stockbroker, taking its total holding to 55 per cent.

The Dutch bank, which had said it was aiming at majority control when it bought its initial 30 per cent stake in November 1994, plans to buy a further 5 per cent in July, raising its ownership to 60 per cent.

Financial details were not disclosed. The shares were bought from the broker's two other shareholders, HG Asia's management and the Guoco Group, which is part of the Malaysian Hong Leong Group, a conglomerate headed by Mr Quek Leng Chan.

ABN Amro's purchase in July will leave Guoco with 30 per cent and HG Asia with 10 per cent.

HG Asia - which is based in Hong Kong with offices in Korea, China and Indonesia, among other countries - was formerly part of Hoare Govett, the UK stockbroker. ABN Amro bought the London-based European operations of Hoare Govett three years ago.

Mr Louis de Bièvre, chairman of ABN Amro's investment banking division, said the move brought the Dutch bank "one step closer to achieving global coverage in the equity business".

HG Asia, which works mainly for institutional clients in Asia, Europe and the US, will continue to operate under its own name and management. Of its more than 400 employees, 65 are equity analysts.

Besides its Hoare Govett and HG Asia purchases, ABN Amro has also acquired a string of European brokers, in countries such as Ireland, Denmark and France, in recent years. In the US, where it is one of the largest foreign banks, the group has concentrated mainly on selling European and Asian equities to US investors. However, last year it was licensed to underwrite US corporate bonds.

Low costs and high ideals hold Icelandair on course

When Icelandair's cabin staff went on strike last month, Mr Sigurdur Helgason, the chief executive, and 25 of his senior managers took a crash course in airline safety and hijacking drills, and coffee-serving, and took to the air in place of the protestors.

"We kept most of our services in Europe going and in three days the strike was over. We haven't heard much from the union since," says Mr Helgason.

This robust attitude to business is typical of Icelandair, one of Europe's smallest international airlines but one of its most innovative. In spite of being the flag-carrier for a nation of a mere 287,000 people, it has been profitable for eight out of the last 10 years.

In 1994, it reported profit of \$9.9m on turnover of \$237m, after two years of losses. It carried 1.1m passengers - about four times the population of its home state. Icelandair accounts for some 4 per cent of Iceland's gross national product. "Measured that way, we are easily the biggest and most successful airline in the world," says Mr Helgason.

As the country's biggest private-sector company, the carrier has achieved its success without any government subsidy or part-ownership for the past decade. In fact, it and British Airways are the only two European national flag-carriers 100 per cent privately-owned.

Icelandair's principal owner is an Icelandic shipping company called Elmiskip, which owns 33 per cent of the stock. Most of the rest is held by Icelandic investors. The island has no bourse, and foreign ownership of local companies is still subject to some restrictions.

However, since Icelandair joined the European Economic Area, foreigners' rights to buy shares in private companies have been extended. If you want shares in Icelandair, contact an Icelandic bank.

Icelandair was created through the merger of two smaller carriers in 1978. Today, apart from its dominance of Iceland's domestic routes, it flies scheduled flights to four US destinations and a dozen European cities. However, because of the small size of its home market (only 25 per cent of its tickets are sold in Iceland), it has had to develop some unorthodox strategies to survive and thrive.

Unlike many modern scheduled airlines, it relies on relatively low-fare traffic for the bulk of its income. Not the lucrative full-fare business clientele that sustains so many of its rivals, Icelandair's average fare is 36 per cent lower than that of Scandinavian Airlines System, for example.

This means Icelandair is to a large extent a tourist airline. However, it has not been content simply to exploit the growing trade in tourists visiting Iceland. Rather, it has built up healthy business flying foreign tourists from their home countries to other non-Iceland destinations, making use of so-called "fifth freedom" rights allowing airlines to carry passengers from one third country to another.

The airline has used this especially on its US services, which include scheduled flights to New York, Baltimore, Orlando and Fort Lauderdale. "We carry more Swedes and Norwegians to holidays in Florida than any other airline," says Mr Helgason. In the opposite direction, it has a long history of offering low-fare trips to Europe for Americans: one of the airlines that formed Icelandair through the 1973 merger carried President Bill Clinton to the UK as a student - with a stopover in Iceland - where he sampled Reykjavik's surprisingly busy nightlife, according to company lore.

Icelandair has not neglected business traffic, however. An important niche for it is transatlantic business flyers, who it attracts with competitive fares and short stopover breaks in Iceland.

It once had rights to fly non-stop from Luxembourg to New York, and it claims today to be the biggest "fifth freedom" carrier on the transatlantic route out of Amsterdam.

Cost controls are a key to Icelandair's success. Its fleet - completely replaced five years ago at a cost of \$300m - is small, comprising three Boeing 757-200s (with another on lease), four 737-400s and four Fokker 50s for domestic routes. The airline aims to make maximum use of these aircraft - for instance, it runs the 757s for as much as 16.5 hours a day.

The small number of foreign rivals flying into Reykjavik - with some, such as SAS and Lufthansa, not flying during the winter - helps Icelandair keep its numbers up. However, with winter tourism flat in Iceland, even the sharp increase in foreign tourist traffic into the country in recent years has not been enough to assure the airline's future.

Cost-consciousness and exploitation of niche foreign markets will continue to be the keys to its profitability.

Hugh Carnegie

Vendex soars 56% ahead of flotation

By Ronald van de Krol

Vendex International, the family-owned Dutch retail and business services group, yesterday reported a 56 per cent rise in 1994-95 net profit, just two months ahead of its expected partial flotation on the Amsterdam Stock Exchange.

The strong advance was attributed to higher operating profit, lower interest charges and a substantial book profit on the sale of shares in Barnes & Noble, the US book shop chain, in the third quarter.

Net profit in the year ended January 31 rose to F138m (\$244.9m) from F124m a year earlier. Sales were up 6 per cent at F110.4bn.

At the operating level, results climbed 16 per cent to F134m, mainly because of further improvement at Vroom & Dreesmann, the group's flagship Dutch department store chain, and a strong rise in profits at its temporary employment agencies covering the Netherlands, Belgium, France and Germany.

Mr Jan Michiel Hesseles, management board chairman, noted that the group had faced a challenging retail climate in 1994, with its fashion and clothing stores confronted by particularly tough conditions. However, business services, which also include cleaning and maintenance companies, had benefited from economic

recovery. He declined to give a firm date for the long-awaited bourse flotation, but said he would be "disappointed" if it had not taken place by the early summer.

Many analysts expect the shares to be floated in the first two weeks of June.

Vendex, which comprises more than 50 operating companies in 10 countries, is owned by the descendants of the group's two 19th century founders and ranks as one of the largest privately-held companies in the Netherlands.

It is not yet clear how many of the family shareholders, numbering some 800 people, will tender their shares for sale. However, analysts expect

the flotation to be worth up to F12bn, making it one of the largest in recent Dutch history after the privatisations of Koninklijke PTT Nederland, the telecommunications and postal group, and DSM, the chemicals company.

The sale of Barnes & Noble shares generated a book profit of F120m. This was partly offset by restructuring provisions.

On balance, the group saw a rise of F1138m in the "value changes" of fixed assets and the securities, the line on the profit and loss account where this type of transactions is booked.

The previous year, these value changes amounted to F140m.

Warm reception for Repsol share placement

By David White in Madrid

The placement of shares in Repsol, the Spanish oil and gas group, has been two and a half times subscribed, the company said yesterday.

Mr Oscar Fanjul, chairman, described the international sale, which will bring the Spanish government up to Pta200.84bn (\$1.6bn), as "a great success".

There were applications from

Spanish and foreign institutions for three times the 26m shares on offer, which include a 4.5m-share over-allotment option. Demand in the UK was particularly strong, with its tranche more than four times subscribed.

The price was set at Pta3.620 for institutions, the same as Repsol's closing price on the Madrid stock exchange on Monday. For Spanish retail investors, it was set at Pta3.448

a share, representing a 5 per cent discount on Monday's average price. The success of the operation was bolstered by a price guarantee, under which individual investors are entitled to a rebate of up to 10 per cent if the share price falls below the offer level in the next 12 months.

The surprisingly strong demand justifies the government's decision at the end of last month to extend the place-

ment plan by 12m shares to a maximum total of 57m from the initial 45m. If the over-allotment option is exercised, as expected, the state's holding in the company will be reduced to 21 per cent from 40 per cent.

The retail tranche was subscribed 2.3 times, in spite of the increase in the number of shares on offer. Of the 32m shares in the expanded retail tranche, 3.6m are to go to group employees.



MICHELIN

Compagnie Générale des Etablissements Michelin

1994 Consolidated Results

The year 1994 was marked in Europe by a sharp recovery in automotive production of both passenger cars and commercial vehicles. In North America, growth followed a similar pattern to that of the previous year.

Following the deep recession of 1993, tyre markets benefited from the general improvement in trading conditions last year and this was particularly apparent in the original equipment market.

Against this background, Michelin's sales volume was 9.5% higher than in 1993.

Net profit for 1994 was FF1,364 million, of which FF1,289 million was attributable to the Group and FF75 million to minority interests. The result reflects the improvement in business but especially, the benefit arising from the plan for cost reductions. At the end of 1994 the target of FF3.5 billion savings, fixed for the term of the plan, had been two-thirds achieved.

Financial results

Sales turnover for 1994 was up by 6.2% on 1993 while at the same time, sales volume was 9.5% higher.

The above difference was due at about two-thirds to the spread of sales between tyre markets, supplies to original equipment showing stronger growth. The remaining one-third arose because of the fall in the exchange rates for the US dollar and some European currencies against the French franc.

Trading profit was FF4,753 million, an improvement of 2,745 million.

Net financial charges were sharply down, mainly because of lower interest rates and due to the fact that the average indebtedness was reduced. In relation to turnover the net charge was 2.7% of sales against 4.3% in 1993.

The ordinary result was a profit of FF2,944 million, up by 3,682 million on the previous year. About three-quarters of the improvement came from the higher trading results and the balance from lower financial charges.

Consolidated net profit was FF1,364 million compared with a loss of close to four billion in 1993. Exceptional charges were particularly high in 1993 but excluding these, the 1994 net result was more than 3 billion better than the preceding year.

Cash flow, after an exceptional charge of FF1.8 billion related to the cost reduction plan, was FF4,488 million.

Capital investment during the year, net of disposals, was FF2.1 billion.

In parallel, working capital requirements were reduced by approximately FF3 billion, chiefly because of a sharp drop in inventories.

The final phase of the plan for cost reductions has to be concluded during 1995 allowing Michelin to reap the full benefit in 1996 of the work that was started two years ago.

Aided by trading conditions that are progressively returning to a normal level of activity and by economies achieved by adherence to the plan for cost reductions, Michelin will again seek to reduce financial debt in 1995, as was started in 1994.

Overall, net financial debt was down to FF22.4 billion at the end of the year. Measured at constant exchange parities, this was a fall of FF5.4 billion on 1993.

Principal items, consolidated profit and loss statement

FF million	1993	1994
Net sales	63,298	67,221
Trading profit	2,008	4,753
Net financial charges	(2,746)	(1,809)
Ordinary profit (loss)	(738)	2,944
Exceptional profit (loss)	(2,848)	(541)
Depreciation of goodwill	(112)	(101)
Tax on profit	(280)	(940)
Share of profit of associated companies	25	2
Profit (loss)	(3,953)	1,364
of which: Group	(3,670)	1,289
Minority interests	(283)	75
Cash flow	1,209	4,488

The accounts of Compagnie Générale des Etablissements Michelin show a profit of FF248 million for the year against a loss of 337 million in 1993. With a moderate improvement in the trading result and lower net financial charges, the profit on ordinary activities before taxation was FF312 million for 1994 compared with FF255.2 million for the previous year. The exceptional loss in 1993, FF610 million, arose principally from a provision of 500 million for depreciation of the shareholding in Manufacture Française des Pneumatiques Michelin. For the year 1994, the exceptional loss was FF63 million.

The accounts have been submitted to the Conseil de Surveillance of the Company. The Managing Partners will convene the Annual General Meeting of shareholders, to be held at 9.30 a.m. on 30th June, 1995 at Aulnat, Clermont-Ferrand, France, and will recommend the distribution of a net dividend of FF2.25 per 'B' and per partially redeemed 'A' share, and FF2.35 per 'A' capital share.

Trends and outlook

In 1995, business in the tyre markets should continue to improve, with a favourable restoration of the balance between supplies to the original equipment and replacement markets.

Continued growth in demand is likely to result in higher costs of raw materials. Michelin will reflect these increases in its sales prices.

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FINANCIAL TIMES

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INTERNATIONAL COMPANIES AND FINANCE

Strong gains at US paper groups in first quarter

By Maggie Urry in New York

The US paper industry can look forward to a good year if the trend of first-quarter earnings figures continues. Results from International Paper and Weyerhaeuser yesterday, and Champion International on Monday, showed sharp profit gains as demand for paper has risen faster than supply and prices have soared.

International Paper reported a more than threefold increase in first-quarter net income to \$246m from \$76m, or \$1.95 a share from 61 cents. The gain came on group sales up 32 per cent to \$4.5bn and was in spite of a rise in interest charges to \$104m from \$77m.

At Weyerhaeuser, net income more than doubled to \$207m from \$127m with sales up 15 per cent to \$2.75bn. Earnings per share were \$1.61, a 61 per cent gain on the 62 cents in the same quarter of 1994. Mr John Creighton, president, said: "We are confident that a record quarter will be followed by a record year."

The trend was evident at Champion, which turned a net loss of \$31m, or 41 cents a share, into income of \$131m, or \$1.26. Mr Andrew Sigler, chairman and chief executive, was optimistic. "As long as global economic activity remains strong, the outlook for the paper industry is very positive," he said.

The strength of the paper business was partly hidden by

lower profits from each group's wood products activities, which have been affected by lower lumber prices. At International Paper, sales of printing papers were up 58 per cent to \$1.51bn while forest products sales fell nearly 10 per cent to \$385m.

Weyerhaeuser reported operating earnings from its pulp, paper and packaging division up to \$210m so far in 1995, from \$5m in the first quarter of 1994. Its timber and wood products activities suffered a decline in profits to \$238m from \$283m. At Champion the paper business moved to a profit before tax of \$230m from a loss of \$40m, while profits from the wood products side dropped to \$45.5m from \$64.3m.

The shortage of supply has kept paper buyers "frantic" for tonnage with prices a "secondary concern for customers", according to Mr Peter Ruschmeier, industry analyst at Oppenheimer, the brokers.

Mr John Georges, chairman and chief executive of International Paper, said: "These earnings confirm that we're experiencing a dramatic upturn in our industry." He said that, combining expected economic growth worldwide and the limited capacity coming on stream, "you come out with a very optimistic view of the supply-and-demand balance this industry should experience for several years to come".

International Paper said

"every thing is on allocation" and as a result it was pushing through price increases across the board. Prices for some paper grades have doubled from the low point two years ago. With relatively little new capacity due this year any extra tonnage available would be rapidly absorbed, it said.

● Celulosa Argentina, the Argentine pulp and paper maker, reported net losses had widened to 50.51m pesos (\$50m) in the nine-month period to the end of February, from 46.57m pesos in the same period a year earlier. AP-DJ reports from Buenos Aires.

Celulosa said during the third quarter, international and domestic demand for paper and pulp continued to grow. "That allowed our results to continue improving, despite the fact that, at the moment, they continue to be negative," the company said.

Celulosa said that for the third quarter, it registered a loss of 13.98m pesos, compared with a loss of 16.22m pesos in the second quarter and 20.32m pesos in the first. Paper sales to the domestic market eased 9 per cent in the third quarter compared with the second.

The company began exporting cellulose paste to Brazil. Argentine exports to Brazil have surged during 1995 as a result of the Mercosur customs union, which eliminated all internal tariffs on goods traded among Argentina, Brazil, Paraguay and Uruguay.

Salomon parts with research director

By Maggie Urry

Mr Martin Liebowitz is leaving Salomon Brothers to become chief investment officer of CREF Investments, part of the Teachers Insurance and Annuity Association-College Retirement Equities Fund.

TIAA-CREF is the biggest pension fund in the world and recently led the campaign to reorganise management at WR Grace, the chemicals group.

Mr Liebowitz is credited with being one of the inventors of zero-coupon bonds and mortgage-backed securities.

He has been with Salomon for 25 years and is director of research, in charge of the 450-strong department covering equity, bond and economic analysis.

Although Salomon has lost some highly paid managing directors following the introduction of a controversial new pay scheme, the parting between Mr Liebowitz and the firm seemed to be amicable. Mr Liebowitz said he looked forward to being a customer of Salomon's once he reached CREF.

At CREF, Mr Liebowitz is replacing Mr James Martin, who retired at the end of last month.

He will take up the appointment in June.

TIAA-CREF has \$136bn in assets under management.

Montreal SE urges reform

By Robert Gibbons in Montreal

Canadian stock exchanges must pool capital and resources to create a national trading system as efficient as their US rivals, according to Mr Gerald Lacoste, president of the Montreal Stock Exchange.

More than 50 per cent of the trading in Canadian listed stocks was handled in the US, he said yesterday.

He added that many smaller Canadian companies were launching initial public offerings in the US.

Pechiney shapes new sell-off mould

The French packaging and metals group wants investor credibility

Mr Jean-Pierre Rodier was relishing his new role yesterday as chairman of Pechiney as he outlined his strategic plan to hammer the French packaging and metals group into shape for privatisation by the end of this year.

However, one of the many charts he showed to a crowded audience of investors and analysts to illustrate his arguments showed just how little room he had to manoeuvre. This revealed that Pechiney is generating a respectable cash flow of FF3.8bn (\$775m) after paying for investments - but nearly all of it is being absorbed by interest payments on its FF25bn debts and by the FF500m a year the group must provide in pensions and healthcare for its US employees. Most of the debt and all of the other payments are liabilities from Pechiney's \$1.26bn acquisition of the American National Can packaging company in 1988.

Mr Rodier suggested that, while Pechiney could cover these payments from operating profits, it could not reduce its debts without compromising the longer-term prospects of the various operations.

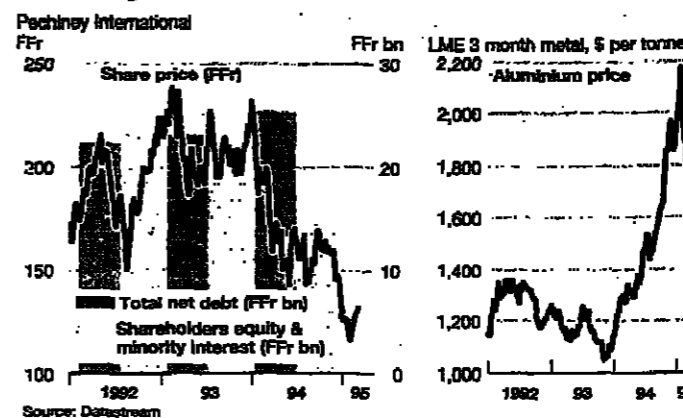
His predecessor, Mr Jean Gandois, hoped to merge Pechiney with the cash-rich CNR (Cie Nationale du Rhône), the electricity company, but Mr Rodier said it would not be reasonable to rely on such a politically sensitive deal being achieved.

A new strategic approach had to be developed. Mr Rodier said over the past two months more than 150 Pechiney managers were involved in drawing up the action plan, looking at markets, materials, technologies and for synergies between group operations.

This exercise identified a number of stable, mature businesses within Pechiney that would continue to generate strong cash flows. There were others set for strong growth. In the foreseeable future investment would be strictly allocated only to these growth areas. Assets that had no synergy with the rest of the group had been identified and these would be sold to reduce debt. Mr Rodier also said costs had to be reduced.

He stressed Pechiney tried to

Pechiney



Jean-Pierre Rodier
Chairman & chief executive

assess what investors were looking for because it needed to gain credibility with them if the group was to be privatised quickly. He also revealed yesterday that the group would be looking for another FF2bn-FF3bn in some form of equity from the private sector.

The operations Pechiney is selling are all stand-alone businesses and together are worth, according to Mr Rodier's calculation, about FF10bn or about 20 per cent of the group's total assets. They employ about 20,200 people. Up for sale are the Howmet aerospace components business as well as the glass, food, metal and speciality businesses.

The group announced last week it would raise about FF1bn by cutting its stake in Carbon Lorraine, the French industrial components company, and its Unimag industrial magnets subsidiary.

Analysts suggest Howmet might bring in FF1bn-FF1.5bn in spite of the present poor state of the aerospace market. Mr Rodier said that FF1bn seemed a "bit low". He insisted there would be no "fire sale" and, if Pechiney had to wait two years to get the prices it believed the operations were worth, then it would wait because they were all good businesses.

The sales will leave the group to concentrate on its two core businesses: aluminium, where it is Europe's biggest producer, and its remaining packaging operations, which even after the sale will probably still be the biggest in Europe and second in the world. Those areas earmarked

for investment include aluminium drinks cans outside the US.

In the US, Pechiney can visualise a time when PET plastic bottles will erode the aluminium can's market share. So a \$80m restructuring programme announced last year for ANC that would have involved some expansion, has been halted. Pechiney recently announced a joint venture to make cans in Mexico and Mr Rodier said it might go into Brazil on its own. Flexible packaging, tubes and deluxe cosmetic packages were also in line for more investment.

Mr Rodier made it clear aluminium was being brought back to centre stage at Pechiney, after a period where his predecessor wanted to diminish its importance because of its cyclical nature. Mr Rodier has no such aversion. Now 47, he is a graduate of the elite Ecole Nationale Supérieure des Mines, and was recruited by the government for Pechiney from Union Minière, the Belgian group that was the world's biggest zinc producer when he took over.

At Union Minière he gained first-hand experience of selling assets and the need to have patience. He also took firm action to reduce costs, not an easy matter when that involves having to deal with European unions. He suggested yesterday that, if he wanted to build confidence in Pechiney among investors, there would have to be some visible results from his action plan before the end of this year. Once he had

prepared the group for privatisation, then it would be up to the new government to make the next move.

Whether such a tight timetable can be met depends as much on the decisions and composition of the government as it does on Mr Rodier's restructuring.

For the moment, the ambitious privatisation programme of Mr Edouard Balladur's centre-right government has been put on hold pending the presidential elections. Assuming a victory of the right, which seems probable, the plan to dispose of 21 public sector groups, including Pechiney, should resume smoothly. But how far the aluminium and packaging concern will be able to push itself to the front of the queue remains open to question.

There are several operations under way. Ustnor Sacilor, the steel maker, is in the starting blocks, having pursued a restructuring at least as radical as Mr Rodier's. Assurances Générales de France, the insurance group, is awaiting an upturn in the international bond market before being offered to investors.

Pechiney holds the advantage over other public sector groups of having a publicly quoted subsidiary and is already familiar with investors. If Mr Rodier can succeed in standing Pechiney firmly on its two feet of aluminium and packaging, he may soon find himself striding towards the private sector.

Kenneth Gooding
and John Ridding

Transbrasil in black for first time since 1986 with R\$38.9m

By Patrick McCarthy in São Paulo

Transbrasil, Brazil's second largest airline, returned to profit last year for the first time since 1986. Profits after tax for the year ending December 31, 1994 were \$439.9m (US\$43.7m), compared with a loss of \$281.5m in 1993.

The profits are largely a result of increased air traffic following the sharp fall in inflation brought by Brazil's Real currency last July. The

company benefited from the appreciation of the Real against the dollar, which helped reduce dollar-denominated financing costs.

The company, which is controlled by its founder Mr Omar Fontana, has benefited from a two-year restructuring. Last year, the company cut its workforce by about 10 per cent to 4,500.

In spite of the strong performance, Transbrasil ended last year with a negative net worth of R\$148.4m because of its

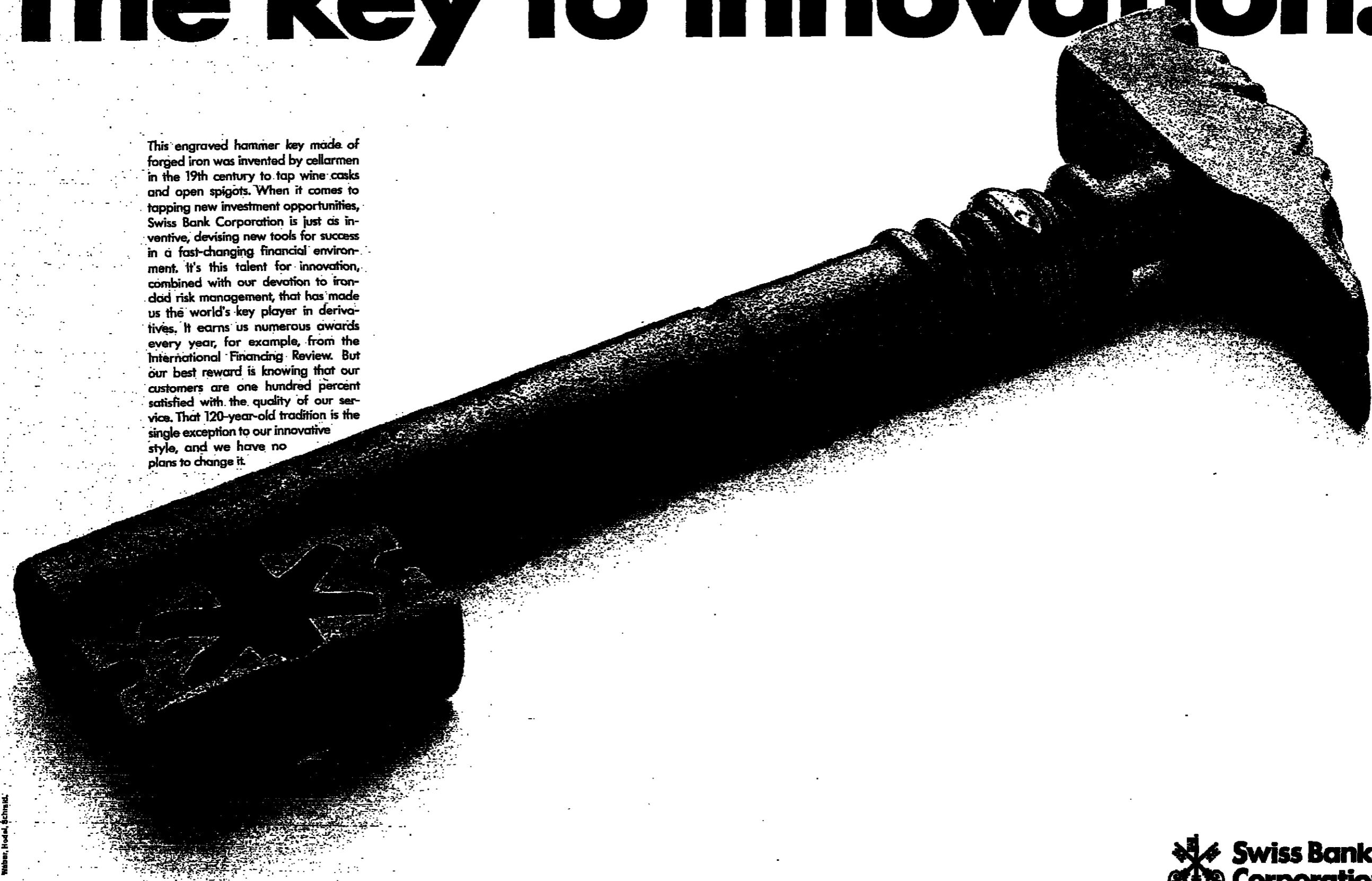
seven consecutive years of losses. Its negative net worth at the end of 1993 was R\$186.5m.

Operating revenues last year increased 30 per cent to R\$585.1m from R\$450.5m in 1993. The growth occurred mainly in the second half.

Increased consumer purchasing power following the drop in inflation fuelled a sharp increase in demand for domestic and international flights after years of contraction in the Brazilian market.

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Eridania Béghin-Say

Full year results in line with expectations
Continued growth and focus on key businesses
Further strengthening of the balance sheet

The Board of Directors of ERIDANIA BEGHIN-SAY met on April 6th 1995 under the Chairmanship of Mr. Stefano MELONI. Consolidated accounts for the full year ended 31st December 1994 were reviewed and approved.

The essential consolidated figures are the following:

(in Millions)	1992	1993	1994	% 94/93
Net Sales	49,741	50,907	50,786	(0.2)
Operating income	3,618	4,040	3,972	(1.7)
Pre tax income from continuing operations	2,280	2,800	2,896	3.4
Net income - Group share	1,278	1,344	1,208	(10.1)
Total shareholders' equity	16,087	16,582	18,940	
Net financial indebtedness	14,147	12,509	10,745	

The scope of consolidation underwent significant changes in 1994 following the sale of CENTRAL SOYA ANIMAL FEED and of a 35% stake in INDIANA PACKERS at year end 1993, the change from the equity method to proportional consolidation for CANAMERA and VEDIAL (both 50% owned) and as a consequence of the full consolidation of ELOSUA.

The decline in operating income (-1.7%) is due primarily to a return to a more normal performance of the Group's sugar business, after an exceptional 1993. The improved profitability of the starch, and animal nutrition businesses together with the consequences of an increased scope of consolidation were not quite sufficient to offset the return to normal of the sugar business coupled with the difficulties in the European seed oil business. Furthermore the translation into French Francs of earnings of businesses in Spain and Italy suffered as a result of the decline of those currencies.

Despite the indebtedness of newly consolidated companies, net financial expense improved significantly (1,076 MF versus 1,240 MF in 1993), largely as a result of the conversion into equity of the May 1991 convertible bond issue. The net financial debt/equity ratio thus stood at 0.57 versus 0.75 a year earlier.

The Board also approved the accounts of the parent Company, ERIDANIA BEGHIN-SAY SA, showing net income of 963.5 MF.

The Board will propose to the Annual General Meeting of Shareholders that dividends in the amount of 779.5 MF be distributed, versus 694 million for 1993. The dividend per share and per investment certificate, would then be 30 Francs, before tax credit, unchanged from the previous year.

Furthermore, Mr. Luigi LUCCHINI, Chairman of MONTEDISON, has been appointed to the Board of the Company.

This announcement appears as a matter of record only

ISSUER



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APRIL 1995.

SLIGOS

1994 - A DIFFICULT YEAR

OPERATING INCOME OF 5%

NET LOSS OF 145 MILLIONS OF FRENCH FRANCS DUE TO
EXCEPTIONAL ITEMS FOR 239 MILLIONS OF FRANCS

ENCOURAGING 1995 OUTLOOK,
DIVIDEND OF 9 FRANCS MAINTAINED

On April 5, 1995, the Board of Directors meeting under the chairmanship of Mr. Henri PASCAUD, presented the 1994 consolidated financial statements. This year took place under difficult operating conditions caused by the strong slowdown in Systems Development business in Europe, the postponement of phonecard orders and important restructuring measures carried out by the Group to enable the activity to take off again in 1995.

Under these circumstances, the operating income represented 5% of sales compared with 7.8% in 1993. Sales totalled 4,104 millions of francs raising by 7.8% compared to 1993 (2.3% at comparable scope).

In 1994, the Group has decided to implement restructuring measures including staff reduction, which gave rise to exceptional expenses for 98 millions of francs.

Furthermore, the Board has decided to carry out an exceptional amortisation of the goodwill concerning the foreign Systems Development business for 146 millions of francs. Thus, it has drawn the conclusion from the development of this activity, for which medium-term growth outlook is far different from the one prevailing when the Sligos network was set up.

Therefore, 1994 Consolidated Income Statement shown a net loss of 145 millions of francs. However, the cash-flow was still high: 233 millions of francs representing 5.7% of sales and the net cash increased to 455 millions of francs during the year.

Groups SLIGOS forecasts a noticeable improvement on 1995 operations, confirmed by the first months realisation. Having confidence in the outlook and enjoying a healthy financial position and significant net cash, the Board decided to maintain a dividend before tax credit of 9 francs per share.

(December 31, 1994 exchange rate: 12 = 8,3548 FF, 1 USD = 5,346 FF).

Motorola opens with record sales and earnings

By Louise Kehoe

Motorola reported record sales and earnings for its first quarter, in spite of some "short-term issues" that the US semiconductor and telecommunications equipment manufacturer said had an adverse effect on results.

Sales for the quarter rose 28 per cent to \$8.6bn from \$4.7bn a year earlier. Net earnings were \$372m, or 61 cents a share, compared with \$298m, or 51 cents, in the first quarter of 1994, adjusted for a stock split.

Earnings were slightly below Wall Street expectations of about 64 cents a share. In February, several analysts cut their estimates for Motorola when the company warned that excess stocks of its cellular telephones had built up in the US retail channel.

Good progress was made in reducing the excess inventories in the first quarter, said Mr Christopher Galvin, president and chief operating officer. Worldwide sales and orders for cellular telephones increased, but at a lower rate than the

average of the past several years, he added.

Semiconductor sales increased 16 per cent to \$1.9bn and operating profits were higher. The company reported strong growth in orders for its Risc microprocessors, static random access memory (S-ram) and digital signal processor chips.

During the quarter, the company announced plans for new chip production facilities in Mexico and China.

The newly formed messaging, information and media division, which includes pager, reported a 24 per cent increase in sales to \$758m. Growth in international markets, led by China and Europe, offset lower orders in the US.

Mobile communications products sales rose 5 per cent to \$785m. US sales were lower than in the second-half of last year because Nextel Communications, a large customer, has been concluding merger and divestiture activities. Mr Craig McCaw's plans to invest up to \$1.1bn in Nextel are expected to lift Motorola sales.

SA bank acquires Swaziland side of Meridien BIAO

By Joel Kibazo in London

First National Bank, the South African banking group, is to acquire the Swaziland operations of Meridien BIAO, the troubled independent banking group that previously operated in 20 countries.

Last month, the Central Bank of Swaziland took over the Meridien BIAO operations in that country following a liquidity crisis, and approached South African banking groups about acquiring the three branches in Swaziland.

Central banks in Kenya, Tanzania and Zambia all took over the running of local Meridien BIAO operations last month.

Mr Bob Wood at First National declined to say how much his group was paying for the Meridien BIAO operations but said: "It was a bank in distress and our motivation

was to extend our operations in Swaziland. Meridien BIAO Bank of Swaziland is a well managed and effective operation but following the on-going liquidity problems of the Meridien group internationally, Meridien Swaziland was unable to meet Swaziland's liquidity requirements."

Mr Wood said the action was taken to protect depositors and was not a reflection on the bank or its management. The Swaziland banks are to be renamed First National and Mr Wood said they would be particularly useful in servicing its South African customers doing business in Swaziland.

The central bank said depositors' funds had been protected and creditors would receive payment in full. First National Bank has more than 500 branches in South Africa, and further outlets in Namibia and Botswana.

GM rewards chief as earnings double

By Richard Waters in New York

Mr John Smith, chief executive and president of General Motors, received \$6.1m in remuneration last year, up from \$1.4m in 1993, as the US's biggest vehicle maker paid its first bonuses for five years.

Mr Smith received a \$4.2m bonus for 1994, a year in which GM's core North American operations struggled back into profit.

The company doubled its after-tax earnings from a year before, to \$4.9bn.

However, in spite of very strong car and truck markets in North America last year, the company failed to meet the financial targets which Mr Smith has set as an average for both good and bad times.

Under GM's profit-sharing scheme, hourly-paid and salaried employees received bonuses averaging \$550 last year.

Commenting in the company's annual report, Mr Smith said the company was moving "towards financial respectabil-

ity once again... [but] regaining that respectability won't be easy".

In spite of the jump in his remuneration, Mr Smith did not do as well as Mr Alex Trotman or Mr Robert Eaton, his counterparts at Ford Motor and Chrysler respectively. Both of the smaller motor manufacturers reported record profits last year. Mr Trotman was paid \$8m, more than double the 1993 level, as his bonus jumped six-fold to \$8m.

Ford also said it had introduced new measures to tie its senior executives' pay more closely to those of the company. Mr Trotman will be required to hold stock worth five times his annual salary, while around 30 other senior Ford executives will have to own shares with a value equivalent to their salaries. They will be given five years to build the holdings.

Mr Eaton, chairman of Chrysler, was paid \$6.2m in 1994. Of this, \$3.2m was in the form of a bonus and remuneration under the company's long-term performance plan.

Kazakh deal for Placer Dome

Placer Dome, the international mining group, said it had reached an agreement with the Republic of Kazakhstan to develop a potential gold field in northern Kazakhstan. Reuter reports from Vancouver.

Placer said it would pay the Republic of Kazakhstan US\$35m with a further \$45m to be paid as soon as Placer Dome's Kazakhstan division

has signed a formal joint venture agreement and satisfied other conditions of ownership, gold export and the manner in which profits will be repatriated.

Placer said the venture would explore and develop the Vasilkovskoye gold property and surrounding area, located 17km from the city of Kokshetau.

AMD chip shipments delayed

By Louise Kehoe in San Francisco

Advanced Micro Devices said it had encountered technical problems in manufacturing its next generation of microprocessor chips, which will compete with Intel's Pentium. The problems will delay high-volume deliveries until the first quarter of next year.

First shipments of the new chip, called the K5, had been expected in August or September, but will now be made two to four months later, the company said.

The delay is a setback for the US company, which has been attempting to catch up with Intel, the microprocessor market leader.

Yesterday, AMD's share price dropped by \$3 to \$35.5 in early trading on news of the delay, which was revealed to analysts following AMD's first-quarter financial report.

The company reported higher than expected earnings for the quarter boosted by the strong demand for its Intel-compatible 486 chips.

Sales increased by 21 per cent to \$620.1m, up from \$513.1m in the first quarter of 1994. Net income, before the payment of preferred stock dividends, was \$36.8m, or 37 cents a share, an increase of 14 per cent over \$34.8m, or 32 cents, in the same period last year.

"The growth was primarily driven by strong market demand for our Am486 micro-

processors and our 5-volt only flash memory devices," said Mr W. J. Sanders, chairman and chief executive. "Both set new quarterly sales records."

AMD increased production of microprocessor chips by more than 50 per cent, compared with the prior quarter, Mr Sanders said, by shifting to half-micron process technology which crams more chips on to a silicon wafer.

During the quarter, product shipments from an AMD/Fujitsu joint venture plant in Japan, producing memory chips, contributed to revenue for the first time.

"Demand for our flash memory devices is currently outstripping our ability to supply," Mr Sanders said.

NEWS DIGEST

Hydro-Quebec profit slides 12.4% to C\$667m

Hydro-Quebec, one of Canada's two biggest electric power utilities, suffered a 12.4 per cent decline in 1994 net profit to C\$667m (US\$461m) because of higher depreciation and interest costs, writes Robert Gibbons in Montreal.

The utility, fully owned by the Quebec government, was completing construction of the LaGrande Phase Two Hydro system in Northern Quebec with a heavy schedule of commissionings.

Total sales were C\$7.3bn, up 2.8 per cent from 1993, due mainly to higher short-term exports to the US and recovery in the pulp and paper, metals smelting and mining industries.

Operating expenses dipped 1.9 per cent due to cost saving programmes and staff reductions. But interest expense was up 12.2 per cent, reflecting the new commissionings and a lower Canadian dollar. Total investment was C\$3.3bn, down 18 per cent.

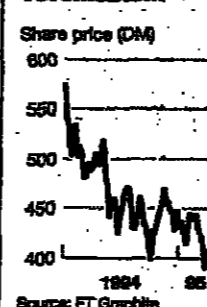
Hydro took advantage of 1994's receptive financial markets to raise C\$800m for its 1995 borrowing programme. Total 1994 debt issues were C\$3.6bn and after refinancings and retirements, net proceeds from financing activities were C\$2.2bn.

At the year-end the weighted average interest rate on long term debt was 9.04 per cent, down from 9.24 per cent a year earlier.

In 1994 exchange losses were lower, interest coverage improved and the self-financing ratio rose to 47.9 per cent from 37.9 per cent. The utility paid C\$68m in taxes, mainly to the provincial government, up 2.5 per cent from 1993.

Vereinsbank sets price for rights issue

Share price (DM)



Source: FT Graphix

The issue will raise Vereinsbank's subscribed capital by a nominal DM148m to DM1.32bn. The capital increase lifts total equity capital by DM1bn to DM1.47bn.

The DM250 shares are being offered below the current share price on the Frankfurt Stock Exchange. Yesterday shares of Vereinsbank closed at DM397.50 each, down DM1.50 from Monday's close.

The increased capital is intended to equip Vereinsbank for the "growing demand for investment, real estate, and export financing," the bank said.

It added that it would strengthen its own capital base "for the continued expansion of its international activities."

Schering-Plough in heart drug joint venture

Schering-Plough and COR Therapeutics have agreed to jointly develop and commercialise COR's Integrelin, an agent to prevent and treat coronary artery blockage, Reuter reports from Madison, New Jersey.

Schering-Plough will pay COR a \$20m licensing fee and make additional milestone payments of about \$100m if all development goals are met, a joint statement said.

The two companies will co-promote and share profits of Integrelin, which is in late-stage development in the United States and Canada, it said. Schering-Plough has the right to launch it in Europe and would initially pay royalties to COR.

Integrelin is a synthetic peptide being developed for the treatment of acute cardiovascular disorders, the statement said.

Metall Mining buys stake in tungsten miner

Metall Mining, the Toronto-based mining group, is to pay C\$7m (US\$4.9m) for a 73 per cent stake in Wolfgram Bergbau Hüttengesellschaft (WBGH), an Austrian tungsten mine and tungsten powder maker, writes Bernard Simut in Toronto.

The sellers are Teledyne, the California-based defence and industrial group, and

Metallgesellschaft, the German conglomerate which was Metall Mining's controlling shareholder until last year.

WBGH is one of two integrated tungsten powder producers in the western world - the other is in South Korea - and has an annual capacity of 2,500 tons of powder and tungsten carbide.

Metall, whose interests centre on copper and gold, said WBGH had strong cash flow and earnings at current tungsten prices. Buoyant demand has helped lift tungsten ore prices to US\$38-470 per 10kg unit from \$33-445 a year ago.

The deal is subject to regulatory and corporate approvals.

Air Canada borrows \$165m for new aircraft

Air Canada has borrowed US\$165m from an international banking syndicate to finance lease payments for six Airbus A340s and 25 A319s it has ordered for delivery late in 1996 to May 1998, writes Robert Gibbons.

The payments are normally made while permanent financing is arranged as the aircraft are delivered. Air Canada has said Airbus will be responsible for the financing of the aircraft but it has left open the possibility that some may be acquired outright.

The syndicate is led by CIBC, Canada's second-largest bank, Bayerische Landesbank and Credit Lyonnais.

Airbus said that the value of the total order is around US\$1.6bn.

Hungarian advertising daily sold to Canadians

AV Rt, the Hungarian privatisation body, is to sell Express, the country's largest advertising daily to Heblo MAG, a Canadian media group, writes Virginia Marsh in Budapest.

Heblo MAG is expected to pay Ft2bn (\$16.5m) for Express. Heblo is jointly owned by Torstar Corp, the publisher of the Toronto Star, Canada's largest newspaper, and by the Macdon family which also manages the company.

It publishes more than 80 classified advertising titles in south-east Asia, Europe and North America.

Express is part of Hriadiplado Rt, a state-owned media publishing company which is expected to go into liquidation. It carries classified advertisements and has a daily circulation of around 350,000.

JCI opens up South Deep system

Johannesburg Consolidated Investments, the South African mining house that will be restructured and sold off to black investors by parent Anglo American later this year, yesterday formally opened the South Deep shaft system at its Western Areas gold mine outside Johannesburg, writes Mark Suzman in Johannesburg.

The new shaft, which has been under development for several years, looks likely to be one of the few successful new developments in South Africa's mature gold mining sector.

It will employ 3,500 and is expected to produce 88m ounces of gold during its lifetime, equivalent to R244m (\$15m) at current prices.

Mr Bill Nairn, manager of JCI's gold and uranium division and the future managing director of the new company, JCI Ltd, which will take control of the mine after the restructuring, said it was critical that South African gold mines boost productivity if they were to remain viable.

"South Africa has moved up the cost curve from a position where it was the lowest cost producer only 12 years ago to being among the highest in the world," he warned. "Unless we arrest this alarming trend we will soon go out of business."

Pakistan Tobacco moves into edible oil

The Pakistan Tobacco Company, a subsidiary of BAT of the UK, has diversified into edible oils to offset losses which it blames on foreign cigarettes which are being smuggled into the country, Reuter reports from Karachi.

The company, one of Pakistan's biggest taxpayers, saw its pre-tax profits in the year to last December plunge 74.23 per cent to Rs28m (Rs1.8m) from Rs228m in 1993.

Last December the company launched its Sundrop edible oil based on locally grown oil seeds, a spokesman said. Mr John Benedict Stevens, chairman, said in his annual report the company was using its expertise to promote the growth of domestic oilseeds and cut the country's edible oil import bill.

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Payment of final dividend for the year ended 31st December 1994

A final dividend of US\$17.20 per ordinary share will be payable to Shareholders on the register of members at the close of business on 28th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 1st to 5th May 1995, inclusive.

By Order of the Board
R.C. Kwok, Company Secretary
7th April 1995

150

Pacific Dunlop may sell food interests

By Nikkai Tait
in Sydney

Pacific Dunlop, the Melbourne-based conglomerate whose shares have been battered by litigation threats at its US heart pacemaker unit, yesterday announced a big operational and management reorganisation.

The shake-up is likely to involve the sale of Pacific Dunlop's food interests, with analysts putting the price-tag at between A\$700m and A\$850m (US\$522m-US\$634m); the disposal of the Cochlear subsidiary, which makes hearing device implants; and a share buy-back programme. On the latter, the company claimed that its shares were "significantly undervalued", although it also revealed that full-year profits were now expected to be down on last year's A\$307m.

News of the reorganisation

was largely welcomed by the stock market. Pacific Dunlop shares, which gained 13 cents to A\$8.30 on Monday amid speculation about an announcement, yesterday added a further 16 cents initially, slipped back, but eventually closed at A\$8.46.

Analysts were broadly supportive of the changes but remained cautious until asset sale prices were known.

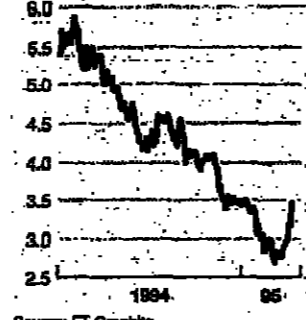
The food business will represent the biggest disposal. Pacific Dunlop said it had received a number of approaches from interested buyers, mainly international, and had decided to pursue them.

"Discussions are at an early stage and may extend over several months," it said. However, Pacific Dunlop later added that it aimed to complete a deal by July.

Pacific Dunlop moved into the food sector four years ago, buying Peterville Sleigh, Australia's

Pacific Dunlop

Share price (A\$)



Source: FT Graphs

second largest food group, for about A\$400m. It subsequently added the Plumrose business. Today, the interests consist mainly of packaged food products sold under the Edgell, Bird's Eye and Yoplait brand names.

The company says funds

employed in the business are between about A\$1bn and A\$1.1bn, including A\$450m in respect of goodwill and intangibles.

However, the unit has repeatedly failed to meet expectations and earlier this year, Mr Philip Brass, managing director, admitted it would take two years to reach the desired 8 per cent to 11 per cent gross margin on sales.

In the last full year to end-June, the food group saw operating profit fall to A\$52m from A\$57m, on sales of A\$968m, against A\$968m.

Cochlear is part of the healthcare group and has developed an implantable device which can restore hearing to the deaf or partially-deaf.

According to Mr Brass, Cochlear implants about 3,000 devices a year and has sales of between about A\$65m and

A\$70m. Pacific Dunlop said it wanted to retain majority Australian ownership and would dispose of Cochlear via a trade sale or stock market flotation.

Money raised from the sales will be deployed in expanding other businesses and buying in shares. Pacific Dunlop said several acquisition opportunities for Ansell, its latex business, and the GNB Technologies batteries unit were under consideration, in the A\$50m to A\$150m range.

The share buy-back programme provides for a maximum 10 per cent of the equity to be bought in and cancelled in a six-month period. Further shareholder approval is not needed.

Finally, the group is to be restructured into four divisions: an industrial unit, household products and clothing/sportswear, a distribution arm, and GNB Technologies.

CE Heath to merge with CIC Insurance

By Nikkai Tait

C.E. Heath International, the Australian general insurer, yesterday announced plans to merge its operations with those of the CIC Insurance Group, another Australian insurance operation ultimately controlled by Winterthur Swiss Insurance Company.

It claimed that this would create Australia's third largest quoted insurer, measured by market capitalisation.

In consideration for the acquisition, Heath will issue 85m new shares to CIC Holdings, which is 67 per cent-owned by Winterthur Swiss Insurance Company.

Heath also plans to sell a further 22 per cent stake to CIC Holdings, at a price of A\$1.50 a share.

If the deal gains necessary approvals, Winterthur - via CIC Holdings - will hold a 48.2 per cent stake in Heath.

Heath, which listed in 1992 and is unrelated to the UK group with a similar name, said it believed the Australian insurance industry needed further rationalisation, and that the larger, combined operation would be better able to capitalise on new opportunities.

The two operations' gross written premium, on a pro forma basis, would be more than A\$1bn (US\$746m).

● National Mutual, the Australian life insurer which is attempting to persuade policyholders to approve a plan which would see the group demutualise, and to accept a A\$1.1bn cash infusion from France's Axa in return for a 51 per cent stake, said yesterday it was "far from complacent" about obtaining the necessary level of support, but that it was still "confident" this would be forthcoming.

At least 75 per cent of voting policyholders must be in favour for the scheme to go through. Documents explaining the scheme will be sent out in a couple of months.

Mr Claude Bebear, head of Axa, said the combination of potential growth in the Australia superannuation market and the opportunities in Asia made the deal attractive.

BHP coal arm to buy HVCC, spend A\$185m

By Nikkai Tait

BHP Australia Coal, part of the big resources group, said yesterday it was acquiring Hunter Valley Coal Corporation for an undisclosed sum and planned to invest A\$185m (US\$138m) in developing HVCC's main asset, the Mount Owen coal mine.

HVCC is being sold by two private-sector owners, Mr John Horseman and Mr Brian Marheine. The Mount Owen mine produces about 1m tonnes of thermal coal a year through an open pit operation.

BHP said its A\$185m investment was expected to lift production to 3.5m tonnes a year. The indicated resource is about 240m tonnes, with 107m indicated as a recoverable reserve. The initial mine plan is based on open pit mining of 46m product tonnes.

The buyer said the deal provided an opportunity to move into the Hunter Valley coal region, in New South Wales, and improve its supply role to Asian thermal coal customers. The growth in the power industry in south-east Asia is seen by analysts as one of the most positive factors for the Australian coal industry at present.

Marubeni writes off Y45bn for closed units

By Emiko Terazono in Tokyo

Marubeni, one of Japan's biggest trading companies, yesterday said it would write off Y45bn (US\$42m) in the business year to last month because of extraordinary losses stemming from liquidation of overseas and domestic subsidiaries, and declines in the value of its property and securities holdings.

As a result, the group

revised down its earnings estimates for the past fiscal year.

The company, which initially estimated unconsolidated recurring profits - before extraordinary items and tax - of Y36bn and net profits of Y15bn, now expects pre-tax profits of Y35bn, down 7.5 per cent from the previous year, and net profits of Y8bn, up 27.4 per cent.

Unconsolidated revenue is expected to fall 4.3 per cent to

Y14,500bn. Consolidated after-tax earnings were revised down to Y9bn.

Marubeni said it suffered a Y20bn loss in the liquidation and restructuring of its construction, synthetics, and other subsidiaries in Japan and Europe.

The company posted losses of Y7bn on real estate in Tokyo and Osaka, purchased during the asset "bubble" in the late 1980s.

A fall in the stock market forced the group to write off Y7.5bn during the first half of the fiscal year. Special losses on its securities portfolio for the year will total Y15.5bn.

However, Marubeni managed to book extraordinary profits of Y7.5bn by selling property to its oil-tank operator subsidiary. It said that in spite of the write-off, the annual dividend would remain unchanged at Y6 a share.

Samsung set to invest \$4bn in China by 2000

By John Burton in Seoul

Samsung, South Korea's biggest conglomerate, plans to invest \$4bn in China by 2000, Mr Lee Kun-hee, chairman, said yesterday.

China has become the largest area for foreign investment by South Korea, accounting for more than half of Korean overseas investment, since Beijing and Seoul established diplomatic ties in 1992. Several other Korean groups, including Sangyong, have announced Chinese investment plans on a similar scale to Samsung.

Under the programme, Sam-

sung will spend \$2.5bn to establish wholly-owned production facilities. The investment includes \$1.6bn for electronics, \$300m for textiles, \$200m for chemical products and \$400m for distribution and other industrial facilities.

Samsung also plans to spend \$1.5bn on joint-venture deals, including the creation of sales networks.

Samsung has so far invested \$100m in China and operates eight factories. The new programme includes projects previously announced, such as electronics complexes in Tianjin and Suzhou.

Sony rethinks strategy in emerging markets

Sony, the Japanese electronics and entertainment group, is focusing on raising production and improving its sales effort in eight emerging markets in the medium to long term because of changes in the world electronics market and the strong yen. Reuter reports from Tokyo.

Sony said the importance of the eight markets - India, Indonesia, China, Vietnam, Mexico, Brazil, Argentina and South Africa - in terms of expected global sales of audio-visual equipment had prompted it to revise its production and sales structures in

those areas. The persistent rise of the yen was another incentive to reorganise.

By 1997, Sony plans to have lifted its colour television output from its Brazilian plant to 500,000 sets a year from 200,000. The development will cost Y1bn (\$12m), it said.

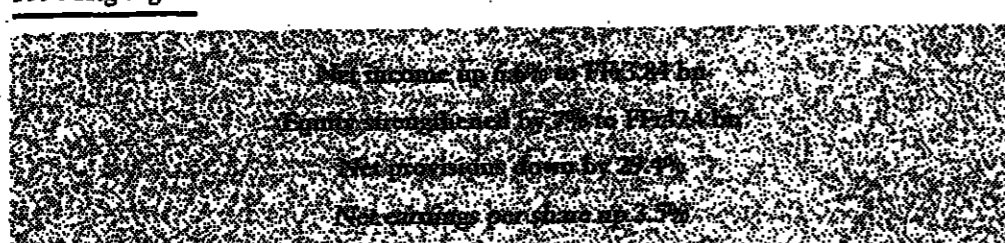
In Indonesia, Sony applied last month for government approval to begin producing colour televisions and audio equipment. In China, it is studying how to extend the existing business of producing pickups for compact disc players and 8mm video camcorders.

SOCIÉTÉ GÉNÉRALE

Europe's fifth banking group*

ANNOUNCES ANOTHER YEAR OF INCREASED PROFITS

1994 Highlights



▲ French network operations

- New loans to private customers up 36.9%.
- Current account deposits up 3.7%.
- Saving scheme deposits up 15.2%.
- Life insurance premiums up 57%.

▲ International network operations

- Commercial operations saw a 12% rise in net banking income.
- Positive results overall for capital market businesses despite difficult conditions worldwide, with a particularly sound performance in brokerage operations (Fimat and Société Générale Equities & Derivatives).

▲ Group equity

- Net revalued assets per share stood at FF650 at December 30, 1994 compared to a share price of FF550 at April 3, 1995.

▲ Share dividend

- A proposed global dividend of FF24 per share, amounting to a payout of 35% of net income.

Société Générale operates in some 70 countries worldwide.

For further information, call Société Générale Investor Relations in Paris on (33.1) 40.98.54.78.

* The Banker, July 1994 (by assets).



LET'S COMBINE OUR TALENTS.

ALCATEL ALSTHOM

Paris, April 5, 1995 - The Board of Directors of Alcatel Alsthom met in the absence of Pierre Suard, under the chairmanship of Ambroise Roux, Honorary Chairman, and approved the group's audited financial statements for the year ending December 31, 1994.

Sales amounted to FF 167.6 billion, a 7% increase compared to 1993. On a comparable basis, sales were stable from one period to the other.

1994 Net Income:
FF 3.6 billion
Working capital provided by operations: FF 11.7 billion

Income from operations after financing decreased 34% to FF 9.5 billion, due entirely to the Telecommunications sector, and after research and development expenses of FF 16.2 billion in 1994 compared to FF 15.2 billion in 1993.

After new restructuring provisions of FF 2.9 billion created principally for the German, Italian and Spanish telecommunications subsidiaries, net income amounted to FF 3.6 billion compared to FF 7.1 billion in 1993. Before amortization of goodwill, net income amounted to FF 6.1 billion versus FF 9.1 billion in 1993.

Fully diluted earnings per share decreased by 48% to FF 26.05. Calculated on the basis of net income before amortization of goodwill, earnings per share in 1994 amounted to FF 42.25, which represented a lower decrease of 33%.

Working capital provided by operations amounted to FF 11.7 billion compared to FF 13.6 billion in 1993.

Shareholders' equity after appropriation increased from FF 57.9 billion at the end of 1993 to FF 59.8 billion at the end of 1994.

Taking into account acquisitions which represented in 1994 an expense of approximately FF 10 billion, the group's net financial debt amounted to FF 12.1 billion at the end of 1994 compared to FF 7.2 billion at the end of 1993 and FF 20.5 billion at the end of 1992. The debt-to-equity ratio was 16% at the end of 1994 compared to 10% at the end of 1993, and 27% at the end of 1992.

Considering the group's results, the Board of Directors will propose to the Annual General Meeting of Shareholders a dividend per share of FF 15.00, identical to that of 1993, corresponding to a total dividend per share of FF 22.50, including tax credit. Shareholders, as in prior years, will have the option to receive the dividend in Alcatel Alsthom share form.

As the group indicated in January 1994, telecommunications activities were operating in a difficult environment and were confronted with major changes but maintained their market shares.

KEY FINANCIAL DATA

(in FF million) (except when otherwise specified)	1994	1993
Key consolidated figures		
Net Sales	167,643	156,334
Income from Operations after financing	9,492	14,278
Operating margin	5.7%	9.1%
Net Income	3,620	7,062
Net Income before goodwill amortization	6,107	9,059
Cash flow from operations	12,481	16,613
Working capital provided by operations	11,726	13,600
Fully diluted EPS	26.05	49.75
Fully diluted EPS before goodwill amortization	42.25	63.15
Proposed Distribution		
Dividend per share (in French Francs)	15.00	15.00
Total Dividend per share (in French Francs and including tax credit)	22.50	22.50

The market deregulation and upcoming privatizations of European operators have led to a drop in volumes and more significantly, prices. The Network Systems division has been particularly affected. Despite the efforts made to increase productivity during the last years, certain subsidiaries, in particular, Alcatel SEL in Germany, Alcatel Standard Electrica in Spain, and Alcatel Italia in Italy, were not able to maintain operating margins. Nevertheless, the deregulation has permitted the creation of new commercial relations with clients in countries in which the group was not previously present, such as the United States and the United Kingdom.

Managing the transition from traditional to new technologies is complex. However, in a market of still limited size, Alcatel Alsthom is ahead in broadband activities (ATM switching and SDH/SONET transmission equipment), reflected by significant market shares, and is a major player in the GSM mobile telephone market.

Demand is shifting toward developing countries. The group is pursuing its strategy of a strong presence in Asia where its sales grew by 30% in one year.

In all the other industrial sectors, Cables, Energy and Transport, Electrical Engineering, and Batteries, income from operations increased. Their markets remained more stable and were marked by a slow European economy, signs of recovery in the United States, and a rapid development in Asia.

Taking into consideration the date on which the Paris Appeals Court will decide on Pierre Suard's legal restraint, the Board of Directors decided to meet on Tuesday April 18, 1995.

U.S. \$200,000,000

American Express Bank Ltd.

Floating Rate Subordinated Capital Notes
Due 1999

Notice is hereby given that for the Interest Period 13th April, 1995 to 13th July, 1995 the Notes will bear interest at the rate of 6% per annum. The interest payable on 13th July, 1995 against Coupon No. 33 will be U.S. \$161.16 per U.S. \$100,000 Nominal and U.S. \$4,026.65 per U.S. \$250,000 Nominal. DATED THIS 12TH DAY OF APRIL, 1995.

Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

LOTHBURY

Lothbury Funding No. 1 PLC

£144,000,000	£150,000,000	£6,000,000
Class A1 Notes	Class A2 Notes	Class B Notes

Mortgage Backed Floating Rate Notes due 2031

In accordance with the provisions of the Notes, notice is hereby given that for the three month period 10th April 1995 to 10th July 1995, the Class A1 Notes, Class A2 Notes and Class B Notes will carry an interest rate of 6.825%, 7.025% and 7.825% per annum respectively. The interest payable per £100,000 Note will be £1,274.11 for the Class A1 Notes, £1,751.44 for the Class A2 Notes and £1,950.89 for the Class B Notes.

CREDIT COMMERCIAL DE FRANCE

FRF 3,500,000,000 FLOATING RATE NOTES DUE 1996
ISIN CODE : XS0047999502

For the period April 11, 1995 to July 11, 1995 the new rate has been fixed at 7.4785% p.a.
Next payment date: July 11, 1995
Coupon nr: 6

FRF 188.89 for the denomination of FRF 10,000
FRF 1889.89 for the denomination of FRF 100,000
FRF 18898.89 for the denomination of FRF 1,000,000

THE PRINCIPAL PAYING AGENT SOGENAL

SOCIÉTÉ GÉNÉRALE GROUP

15, Avenue Emile Reuter

LUXEMBOURG

CREDIT COMMERCIAL DE FRANCE

FRF 500,000,000 REVERSE FLOATER BONDS DUE 1996
ISIN CODE : XS0043048882

For the period April 10, 1995 to October 09, 1995 the new rate has been fixed at 8.7500% p.a.
Next payment date: October 09, 1995
Coupon nr: 4

FRF 335.94 for the denomination of FRF 10,000
FRF 3359.38 for the denomination of FRF 100,000
FRF 33593.79 for the denomination of FRF 500,000

THE PRINCIPAL PAYING AGENT SOGENAL

SOCIÉTÉ GÉNÉRALE GROUP

15, Avenue Emile Reuter

LUXEMBOURG

COMPANY NEWS: UK

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 18 April 1995

- The Bank of England announces the issue by Her Majesty's Treasury of ECU 500 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yield basis on Tuesday, 18 April 1995. These notes will add to the ECU 1,000 million of the same security sold by tender on 17 January 1995.
- The ECU 500 million of Notes to be issued by tender will be dated as of 24 January 1995 and will mature on 27 January 1998.
- Notes will bear an annual coupon of 8% payable on 27 January, starting on 27 January 1996. Payment for Notes allotted in the tender will be due on 25 April 1995; the amount payable will include 91 days accrued interest.
- All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, formerly the Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on 18 April 1995.
- Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.
- Each tender at each yield must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.
- Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services, at the Bank of England after 1.30 p.m. on 25 April 1995 provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000, and ECU 1,000,000 nominal.
- Her Majesty's Treasury reserve the right to reject any or part of any tender.
- The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1992 and the supplements thereto. All tenders will be subject to the provisions of the Information Memorandum and supplements and to the provisions of this notice.
- The tender notice issued on 10 January 1995 stated that ECU 500 million nominal of the Notes allotted to the Bank of England for the account of the Exchange Equalisation Account ("EEA") on 24 January 1995 would be held by the Bank of England for the account of the EEA with the intention that they would be sold in subsequent tenders. ECU 500 million nominal of these Notes are to be sold in the tender on 18 April 1995, will constitute a further tranche of the Notes maturing on 27 January 1998, and will be fully fungible with the Notes issued on 24 January 1995. ECU 50 million nominal of these Notes will be retained by the Bank of England for the account of the EEA and added to the Bank's holdings of notes which may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum (as supplemented).
- Copies of the Information Memorandum may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
11 April 1995

Wembley refinancing includes £63m rights

By Tim Burt

Wembley, Britain's self-proclaimed "Venue of Legends", yesterday blew the final whistle on a protracted refinancing by announcing a £62.5m rights issue and £53.7m debt-for-equity swap.

As part of the restructuring, it will issue an unprecedented 3.13bn new ordinary shares and a further 911.3m to lenders owed £141.3m. Wembley would then have 5.54bn shares in issue - equivalent to 69,250 for each seat in the north London stadium.

Wembley said the alternative could be a controlled receiver-

ship and possible break-up of the group, which includes greyhound tracks in Britain and the US. "The crucial point of this exercise was to save the company," it has spent almost a year negotiating refinancing terms to avoid that possibility.

The debt-for-equity swap should have net borrowing of £72.4m, reducing gearing from 324 per cent to 49 per cent.

Wembley said it would also sell non-core businesses and dispose of surplus property. It also announced £15.6m of exceptional items and £17.8m of losses on disposals.

Together with interest payments of £14.9m, those charges

undermined a 34 per cent increase in profits on continuing operations to £11.8m last year, and left the group with pre-tax losses of £38.6m.

Wembley claimed the write-downs and exceptional costs would leave it better placed to exploit rising demand for venue management.

Existing shareholders, who saw the shares reach 157p in the late 1980s, will receive new ordinary shares at 3p. The group's 22-bank lending syndicate will receive shares at 4.6p. Preference shareholders have agreed a 30-for-1 conversion. The shares, suspended last month, fell by 34p to 24p.

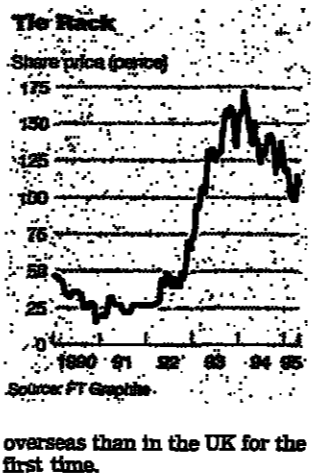
Tie Rack growth abroad

By James Whittington

Continued expansion overseas and new shop openings helped Tie Rack, the neckwear and fashion accessory retailer, improve annual profits by 11 per cent.

Pre-tax profits rose from £8.67m to £7.41m on the back of turnover 7 per cent ahead at £59.8m (£58.2m).

The group's international presence was strengthened from 14 to 19 countries at the end of the year to January 29, with the total number of shops increasing by 28 to 329. Since then another 11 outlets have opened in three more countries, giving Tie Rack more



Alliance Resources raises £7.2m and buys

Alliance Resources, the US-based oil and gas exploration and production company, has announced a placing and open offer to raise £7.2m on an 8-for-9 basis at 6p per share.

The company is also acquiring a portfolio of oil and gas properties in Texas, Colorado and Oklahoma from North American Gas Investment Trust for about \$3.1m (£1.8m) in shares and cash.

The \$1.3m cash element will be funded by the offer and pla-

cing, and the remainder by the issue of 16.4m new ordinary shares at the placing price.

Alliance will also use the funds raised to repay borrowings and finance development of its Louisiana interests.

Mr John O'Brien, chief executive, said the fund-raising and the acquisition would considerably strengthen the company's position both in terms of the quality and breadth of its reserves and its ability to develop them fully.

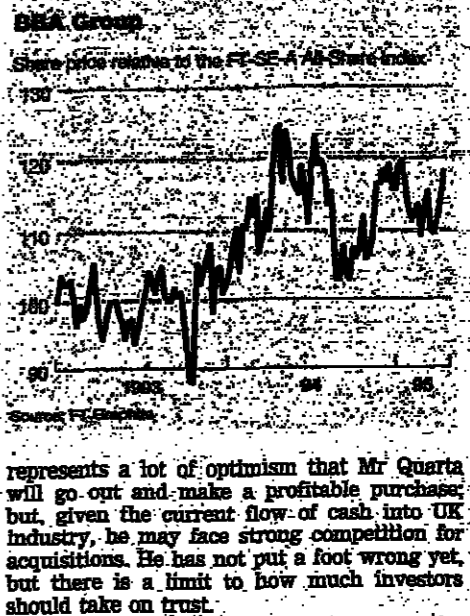
LEX COMMENT

BBA Group

Mr Roberto Quarta has not tarried since he took over as chief executive of sprawling engineering group BBA in late 1993. He has made £312m of disposals, and his target of achieving 10 per cent profit margins by 1996 will be easily achieved this year. The group has lowered its exposure to the highly cyclical automotive industry, and now focuses on four core areas, where it has strong market positions with potential for global expansion.

This is all well and good, and Mr Quarta has been rewarded with a share price which has outperformed the market by about 10 per cent since he joined. Operational efficiency has been improved, but in many ways he has done the easy part in the BBA turnaround. Having cut off the dead wood, the pressure is on for an acquisition. The sale of Automotive Products leaves BBA's balance sheet with more than £100m in net cash; and the return on that cash will be far lower than the earnings from even a low margin business such as AP.

Earnings will be diluted by more than 5 per cent by this disposal, leaving the shares on a prospective price-earnings ratio close to 20 per cent higher than the market's average. That



Savoy jumps to £4.23m

By Scheherazade Daneshkhu
Leisure Industries Correspondent

Savoy Hotel yesterday restored its dividend to the 1992 level after it was halved last year, as it announced a leap in 1994 pre-tax profits from £725,000 to £4.23m.

The advance at the group - which includes Claridge's and the Connaught - came despite £1.8m exceptional restructuring costs. These included

\$500,000 in compensation and other benefits to Mr Giles Shepard who was asked to resign in September.

His departure, and that of company secretary Mr Ewan Lord, came after Forte, the UK's largest hotels group, strengthened its influence over the board. Forte has 68 per cent of Savoy's shares and 42 per cent of the voting rights.

The costs were partly offset by an exceptional rate rebate of £1.2m on the London hotels.

Mr Raimon Pajares, who replaced Mr Shepard as managing director, said the results benefited from the better trading conditions enjoyed by London hotels last year.

Sir Ewan Ferguson, chairman, warned, however, that "substantial capital investment" would be required in the next two to three years to improve the hotels. Cash would be raised by selling the Lancaster hotel in Paris, which is on the market for £11m.

RESULTS

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend cover (times)	Total for year	Total last year
Budgets Int'l	Yr to Dec 31	84.3	(75)	15.8p	(11.8)	18.5	1.5	5.75	5.25
Cobham	Yr to Dec 31	211.4	(185.4)	22.8p	(21)	19.26	(18.23)	8.32	7.58
Revelant	Yr to Jan 13	247.3	(214.1)	17	(16.58p)	8.01	(6.08)	2.95	1.45
Freemantle Hotels	Yr to Dec 25	38.3	(32.4)	3.6p	(3.1)	3.7	3.5	5.7	5.7
New Ireland	Yr to Dec 31	-	-	5.5p	(5.6)	33	(43.5)	10.31	13.81
Savoy Hotel	Yr to Dec 31	92.1	(83.3)	4.2p	(3.725)	10.7	(1.8)	3.6	3.5
Shawcross	Yr to Dec 31	8.41	(7.11)	0.58	(0.28)	8.3	(4.3)	1.37	3.47
Tesco	Yr to Dec 31	26.7	(23.2)	2.6p	(2.1)	2.5	(1.4)	2.5	2.5
Tesco	Yr to Feb 25	10,577	(9,247)	551p	(435p)	16.8	(15.2)	5.9	5.8
Tie Rack	Yr to Jan 29	59.9	(78.2)	7.41	(6.57)	8.34	(8.04)	2.25	1.75
Villiers	6 mths to Jan 31	1.55	(1.795)	0.462	(1.88p)	0.38	(1.83)	-	-
Wembley	Yr to Dec 31	128.7	(150.5)	35.5p	(35.7p)	15.2	(25.8)	-	-
Yule Catin	Yr to Dec 31	330.8	(290.5)	23.5	(18.2p)	17.3	(11.8)	4.21	6.2

Investment Trusts

		Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividend cover (times)	Total for year	Total last year
Gartmore Smaller	6 mths to Feb 28	244.2	(268.8)	0.293	(0.414)	2.1	(2.5)	1.5	5.75
Handerson Highland	Yr to Feb 28	111.7	(131.9)	1.58	(1.81)	8.05	(8.18)	1.4	5.7

Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. *Yr increased capital. *SUSM stock. *Half currency. *Equivalent after allowing for scrip issue. *Comparatives restated.

BHF Charterhouse CCF



formerly

South Wales Regional Coal Company Limited

£120 million acquisition

from
HM Government

Led, managed and negotiated by

Charterhouse Development Capital Limited

Senior debt & Working capital facilities

NatWest Markets, Acquisition Finance

Morgan Grenfell



CHARTERHOUSE

Charterhouse Development Capital Limited is Regulated by IMRO, 85 Watling Street, London EC4M 9BX.
April 1995. This announcement appears as a matter of record only.

Notice:
BANK OF QUEENSLAND LIMITED
CORPORATE
MULTIPLE OPTION FACILITY
AGREEMENT
DATED SEPTEMBER 22, 1995
In accordance with the provisions of the Transferable Loan Certificate issued on October 8, 1992, notice is hereby given that for the next business period from April 11, 1995 to September 22, 1995 (Final Maturity Date), the Certificate will carry an interest rate of 6.50% per annum.

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THE FIRST MEXICO INCOME FUND N.V.

Curacao, Netherlands Antilles

Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of THE FIRST MEXICO INCOME FUND N.V. has been called by the Managing Director, MEESPIERSON TRUST (Curacao) N.V. and will be held on April 28, 1995 at 3.00 pm. (Netherlands Antilles time) at the office of the Corporation at 6, John B. Gonslowweg, Curacao, Netherlands Antilles.

The Agenda and Annual Report 1994 may be obtained from the offices of the Corporation and from the Paying Agent mentioned hereunder. Shareholders will be admitted to the meeting on presentation of their share certificates or vouchers, which may be obtained starting April 13, 1995 from the Paying Agent.

Willemsdijk, Curacao, Netherlands Antilles, April 12, 1995
MEESPIERSON TRUST (Curacao) N.V.

Paying Agent
Meespierson N.V.
Rokin 55, 1012 KK Amsterdam
The Netherlands

Mandarin Oriental International Limited

Incorporated in Bermuda with limited liability

Payment of final dividend for the year ended 31st December 1994

A final dividend of US\$3.95 per ordinary share will be payable to Shareholders on the register of members at the close of business on 24th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 25th to 28th April 1995, inclusive.

By Order of the Board
R. C. Kwok, Company Secretary
7th April 1995



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SERVING THE FURNISHING, TRANSPORTATION, APPAREL, PACKAGING, ENGINEERING AND INDUSTRIAL MARKETS

HIGHLIGHTS

FROM THE 1994 REPORT AND ACCOUNTS

Turnover up 5% to £768m

Profit before tax up 47% to £50m

Earnings per share (normalised) up 25% to 15.1p

Dividend per share up 4% to 7.7p

- Turnover up as economic conditions show modest recovery
- Improvement in Operating Margins
- Significant raw material cost increases being substantially recovered
- Strong investment programme
- Competitiveness increasingly the key to growth

AGM to be held 2.45pm today at

BRITISH VITA PLC, MIDDLETON, MANCHESTER M24 2DB

Telephone: 0161-643 1133. Fax: 0161-653 5411.

Copies of the Annual Report can be obtained from the Company Secretary

NOTICE OF FULL REDEMPTION TO THE HOLDERS OF
Alaska Housing Finance Corporation
8 1/4% Secured Bonds, 1986 Series A
Due May 15, 2001
CUSIP No.: 08080-0577

NOTICE IS HEREBY GIVEN in accordance with Sections 603 and 605 of the Indenture dated as of May 15, 1986 between Alaska Housing Finance Corporation and Bank of America National Trust and Savings Association, as Trustee (the "Indenture") that pursuant to Section 504(A) of the Indenture, the outstanding principal amount of the Alaska Housing Finance Corporation 8 1/4% Secured Bonds, 1986 Series A (the "Bonds"), will be redeemed in full on May 15, 1995 (the "Redemption Date") from the proceeds scheduled to be on deposit in the Special Redemption Fund prior to such Redemption Date, at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued to the Redemption Date.

Subject to the receipt of required funds by the Trustee prior to the Redemption Date, the Bonds will become due and payable upon presentation and surrender to:

Bank of America National Trust and Savings Association
Corporate Agency Service Center
705 S. Western Avenue
Glendale, CA 91201
Attn: Bond Payment Window

By Mail:
Bank of America National Trust and Savings Association
Corporate Agency Service Center
P.O. Box 30277
Los Angeles, CA 90030-0277

Interest due and payable on May 15, 1995 will be paid by check mailed to the registered owners thereof in the usual manner. On and after the Redemption Date, interest will cease to accrue on the Bonds or portions thereof not so redeemed.

A Form W-9 must be completed by the holder and submitted with the Bonds to be redeemed. Failure to provide a completed Form W-9 will result in a 31% back-up withholding to Bondholders in accordance with the Comprehensive National Energy Policy Act of 1992.

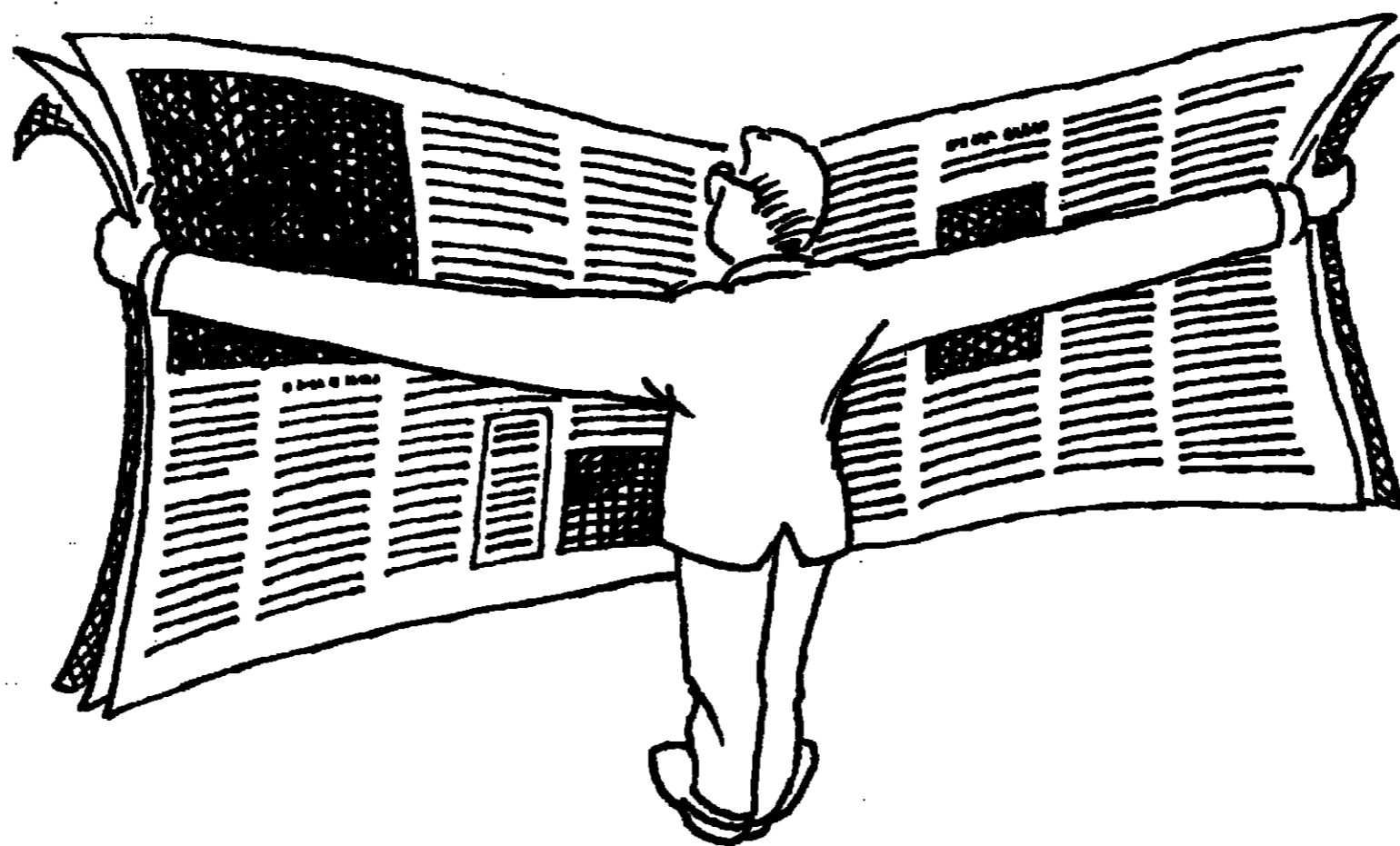
ALASKA HOUSING FINANCE CORPORATION
By: Bank of America National Trust and Savings Association, as Trustee

Dated: April 12, 1995

The CUSIP number has been assigned to this issue by Standard and Poor's Corporation and is included solely for the convenience of the Bondholders. Neither Alaska Housing Finance Corporation nor the Trustee shall be responsible or use of the CUSIP number, nor in any representation made as to the correctness of the Bonds or as indicated in any redemption notice.

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Nature of business _____
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Postcode _____ Telephone _____
Country _____

No. of employees ☐ under 50 ☐ 50 to 100 ☐ over 100

I already use online ☐ Yes ☐ No

FT PROFILE
BUSINESS INFORMATION

PART OF THE FINANCIAL TIMES GROUP

COMPANY NEWS: UK

Grocer plans to open 20 stores in Hungary over the next five years

Tesco increases to £551m

By Neil Buckley

Tesco, the UK grocery retailer, plans to open 20 supermarkets in Hungary over the next five years, making it the first large UK retailer to open stores in eastern Europe.

The news came as Tesco - which, according to one measure, ousted rival J Sainsbury last month to become Britain's biggest grocer by market share - reported a 12.7 per cent rise in pre-tax profits to £595m, before exceptional items. It said 5m customers had signed

up for its new loyalty scheme, Clubcard.

Post-exceptional profits grew from £435m to £551m, after charging £44m this year connected with property disposals and the acquisition of Wm Low, and £83m property costs last year.

Last year Tesco bought a majority stake in Global, the Hungarian food retailer, and opened a Tesco outlet in Hungary in November. Sir Ian MacLaurin, chairman, said results from the store were encouraging and Tesco had

ambitions to open 20 more.

Global contributed £1m operating profits on £18m sales last year. Tesco also earned £16m operating profits on sales of £430m in Cateau, the French supermarket chain acquired two years ago.

Sir Ian said further moves into continental Europe and emerging markets were possible. He was optimistic for growth in the core UK market although competition remained intense, and tighter planning restrictions were making it increasingly difficult to open

new superstores.

"I don't think we share certain people's pessimism that the UK market is blown," Sir Ian said. "We have devised a market plan which we have stuck to rigidly."

Marketing initiatives such as Clubcard and "New Deal" price cuts on popular items had fended off competition from fast-expanding discount chains. They helped Tesco to report a 2.2 per cent rise in like-for-like sales before 2.1 per cent inflation, and an 8.6 per cent uplift from new stores.

AAH promises savings

By Peter Pearce

AAH, the pharmaceutical wholesaler and retailer, yesterday said the rationalisation programmes of its core health-care businesses would result in cost savings "of at least £14m from 1994-97".

This information was the main plank in AAH's second defence document, issued to counter the hostile £377.4m bid from Gehe, the German pharmaceutical wholesaler. The shares rose 1p to 430p, against a bid price of 420p.

AAH said cost savings within the UK wholesaling side would be at least £8m in 1995-96, rising to £10.5m in 1996-97. "When a further £2.5m by way of gross margin improvement will also be achieved". There would also be £1m of overhead savings from the retailing side.

Mr John Padovan, chairman, said: "The pain of reorganising had been endured, though there had been no real benefit yet."

Some 70 per cent of AAH's wholesaling turnover is for prescription drugs, where costs continued to rise. However, the group is paid on a fee basis, leading to pressure on margins.

IN SPIRITS, WINES AND CIDERS - By Roderick Orm

Guinness advance gives needed boost to sector

Results season

Thanks to stronger than expected profits from Guinness, the spirits, wines and cider sector has been one of the better market performers during the results season.

Guinness' shares jumped some 50p to about 465p on news of a 5 per cent rise in pre-tax profits before exceptional items to £91.5m. Moreover, management was more confident about volume and price trends than it has been for a couple of years. By far the largest stock in the sector, it pulled the whole industry with it.

But a large chaser of caviars must be served with every sliver of enthusiasm for Guinness, and the rest of the spirits stocks. Guinness' spirits profits were flat at £700m. The group uplift came from an 8 per cent rise in brewing profits to £267m and a £68m drop in finance charges to £130m.

Sales of Johnnie Walker Scotch, a principal target in its brand building exercise for seven years, rose 10 per cent to 10.5m cases.

However, life is still extremely tough in mature

markets. Drinkers are showing only the faintest signs of a post-recession willingness to drink more, trade up to higher quality brands or even pay more for their current drinks. Spirits profits fell in the US and UK, but, on the positive side, emerging markets contributed more than 10 per cent of profits for the first time.

More disturbingly, there are some indications that Guinness is finding the relaunch of Bell's, the leading Scotch in the UK market, an uphill battle. Bell's appears to have dropped from its customary slot as the second most expensive main brand after Famous Grouse to third behind Teacher's.

Moreover, Highland Distilleries and Allied Domecq have pushed through price rises on Grouse and Teacher's since the beginning of the year while Guinness has not, thus absorbing higher packaging costs and excise duties.

The biggest shock of the results season was the performance of Highland Distilleries. Its interim pre-tax profits were barely ahead at £2.5m, its lost momentum in both export and domestic markets. Good

growth in both had helped it to outperform the sector strongly for a number of years.

It said special factors showed the rate of export growth to be 15 per cent. Analysts are less certain, however, that it will return quickly to its trend of 15 per cent. Its shares have fallen by a fifth to about 350p since the beginning of the year.

More disturbingly, Grouse's UK market share slipped from 18.6 per cent last August to 18.5 per cent. The only growing segment of the UK market - in cheap tertiary brands which increased their volume by 14 per cent over the past year.

The pricing pressures in the UK market were underlined by Dunn Stewart, a leading name in Scotch whisky, whose interim pre-tax profits were down 18 per cent.

All the producers of branded whisky spend large sums on building their brands but the pay-off will be meagre unless prices rise.

As Highland warned with its results: "The future health of the industry requires the distillers to continue to implement these longer-term strategies and forsake the transient gains of short-term trading policies."

New Ireland lower after provision

By John MacManus in Dublin

New Ireland Holdings, the Dublin-based life and general insurer which is 83.5 per cent owned by the French insurance group UAP, has reported a 25 per cent fall in full-year pre-tax profits to £26.5m.

The figure was struck after provisions of £52.21m (nil) for unrealised losses on Irish Government gilts and investments in the general insurance side of the business; underlying operating profits for the year

to December 31 were flat at £28.72m (£28.69m).

Operating profits at Irish National, the general insurance subsidiary, fell from £23m to £22.4m, despite a reduction in the underwriting deficit from £27.3m to £23.29m. Investment returns fell from £11m to £9.13m.

Net premium income at New Ireland Assurance, the life and pensions subsidiary, grew by 33 per cent to £178m. The embedded value of the life subsidiary stood at £284.1m.

CE Heath sells rest of Australian arm

By Patrick Harverson

CE Heath, the insurance broking group, closed the book on its Australian underwriting experience yesterday when it agreed to sell its remaining stake in its Sydney-based CE Heath International (CHI) offshoot to Winterthur, the Swiss insurer.

CE Heath will sell its 22 per cent stake in CHI to CIC Insurance, a Winterthur subsidiary, for about A\$68m (£28m) after CIC has reversed into the Aus-

tralian company.

The sale almost completes CE Heath's withdrawal from the underwriting business. All that remains is for the group - which will now concentrate on its core businesses of broking and computer services - to sell Lloyd's New York, its small US underwriting associate.

CE Heath's Australian-based underwriting business has incurred losses particularly on aviation reinsurance. Last year CHI reported a loss before tax and exceptionals of A\$5.6m.

NEWS DIGEST

Friendly Hotels improves

Friendly Hotels, which operates serviced offices and 30 hotels in the UK, France, and Denmark, continued to improve with a 40 per cent advance in pre-tax profits for the year to December 25, up from £2.61m to £3.65m.

Most of the improvement in profitability came from the hotels side.

Fyffes buys in Spain

Fyffes, the Dublin-based fruit and vegetable distributor, has acquired, through its Spanish subsidiary, Eurobanca Canarias, a majority shareholding in Grupo Angel Rey.

It operates from Madrid and in 1994 had sales of £225m and net assets of £1.5m.

The acquisition creates the largest trading company within the fruit and vegetable sector in Spain.

Heywood Williams

Shares in Heywood Williams Group fell 17p to 243p after Mr Ralph Hinchliffe, chairman, told the AGM that 1995 was

expected to see "modest, if not spectacular progress".

Difficult UK trading conditions still prevailed for the group - which makes aluminium, plastic and glass products for the construction and car industries - and these were expected to continue.

The group had a strong first quarter in the US, but he warned that growth rates might now begin to slow. European operations had made a reasonable start.

Drayton Far Eastern

At Drayton Far Eastern Trust's AGM shareholders approved in principle the board's proposal to divide the company's assets into two new trusts, Invesco Tokyo and Invesco Asia.

Correction

Richbell Holdings

A report in Saturday's FT stated that Richbell Holdings, which has been named as a defendant in a lawsuit filed by Northern & Shell, was planning a stockmarket flotation. In fact it is Richbell Strategic Holdings, a subsidiary of Richbell Holdings, which is planning a flotation. Richbell Strategic Holdings is not a party to any of the proceedings involving Northern & Shell.

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In the event of the merger of Schneider SA with Spie Batignolles, the Board of Directors of Schneider SA in its meeting held on March 14, 1995, decided to suspend the right to exchange the bonds during a period of ninety (90) days beginning the 28th of April 1995.

Dairy Farm International Holdings Limited
Incorporated in Bermuda with limited liability

Payment of final dividend
for the year ended 31st December 1994

A final dividend of US\$4.36 per ordinary share will be payable to Shareholders on the register of members at the close of business on 24th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 25th to 28th April 1995, inclusive.

A dividend at the rate of 6.5% per annum on the Company's outstanding convertible cumulative preference shares will be payable on 10th May 1995 to preference Shareholders registered at the close of business on 2nd May 1995. The register will be closed from 3rd to 9th May 1995.

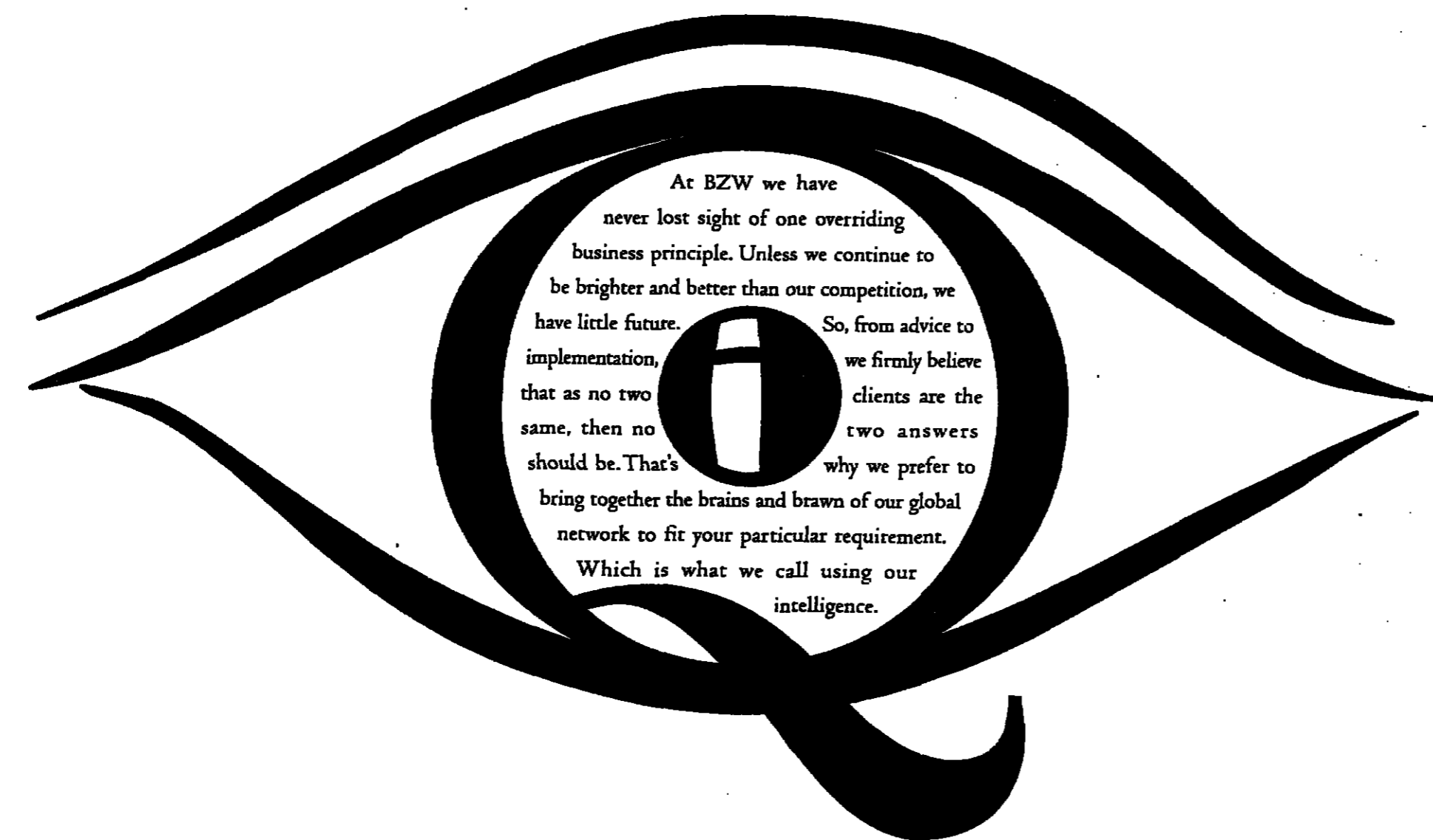
By Order of the Board
R.C. Kwok, Company Secretary
7th April 1995

Hongkong Land Holdings Limited
Incorporated in Bermuda with limited liability

Payment of final dividend
for the year ended 31st December 1994

A final dividend of US\$9.00 per ordinary share will be payable to Shareholders on the register of members at the close of business on 24th April 1995, subject to approval at the Company's Annual General Meeting. The share registers of members will be closed from 25th to 28th April 1995, inclusive.

By Order of the Board
R.C. Kwok, Company Secretary
7th April 1995



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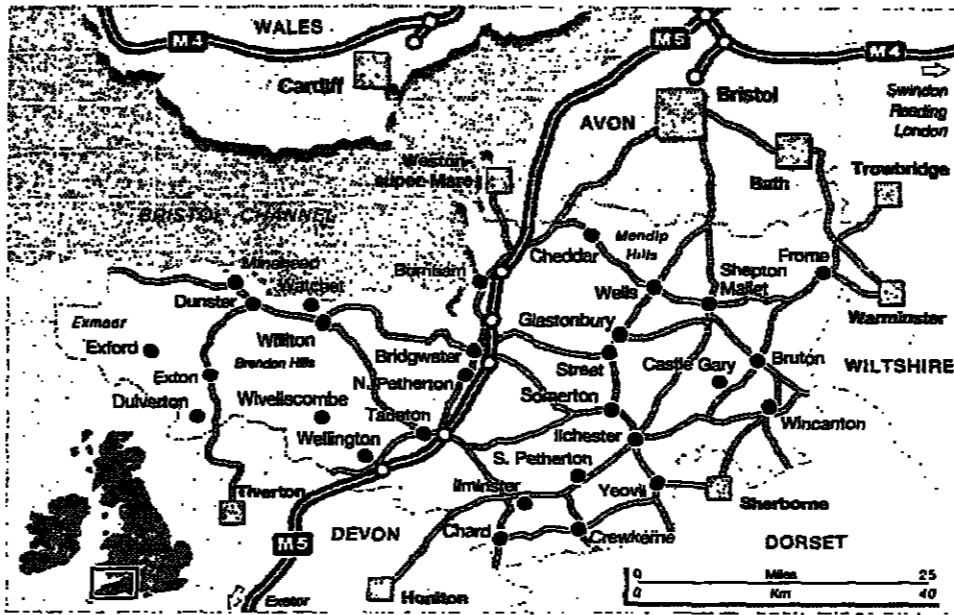
Wednesday, April 12 1995

Relocation opportunities for office-based businesses: Page II

Westland Group leads a diverse range of local manufacturers: Page III



Cheddar, near the spectacular limestone gorge in the Mendip Hills. The famous Cheddar cheese - now enjoyed in many parts of the world - was first made here in the 12th century and aged in nearby caves. Picture: Shirley Lewis



The RAF has placed a key order for a variant of Westland's EH101 utility helicopter. In the foreground is the Rolls Royce RTM 322 engine

Seeking the right balance for economic growth

As Somerset intensifies efforts to attract more inward investment and promote itself as an ideal location for business, the balance between protecting the rural environment and economic growth is vitally important. Surprisingly, perhaps, Somerset has a higher manufacturing base than the UK average, reports Roland Adburgham

As motorists drive south down the M5 motorway into Somerset, the road side signs are evocative: Cheddar Gorge, Woolley Hole, Wells Cathedral, Glastonbury Tor, King's Sedgemoor Drain, River Parrett and Exmoor.

If that conjures a bucolic image, there is another. As they pass Bridgwater, drivers may notice an Argos distribution centre and the modern factory of HBS, manufacturer of window systems. At the junction near the county town of Taunton, a new development includes the headquarters of health insurer Western Provident Association.

Somerset is regarded as a rural county best known for cricket, cheese and cider, a pleasant but sleepy place, preoccupied by issues of hunting and travellers' camps. There is another aspect: it is a fast-growing county with a higher manufacturing base than the UK average, and determined efforts are being made to promote its virtues as a business location.

Internationally-known names include C & J Clark, the shoe maker, and Westland, the helicopter group. Although manufacturing jobs have been shed as a result of the recession and defence cutbacks, Westland received a crucial

boost last month with the order to supply the Royal Air Force with its EH101 helicopters.

Mr Pat Lee, south-west chairman of the Confederation of British Industry and a director of Wineatun, the Somerset-based transport group, says: "Order books in the county have picked up and there is all the evidence of a genuine recovery, and a solid one based on exports rather than consumer demand. In common with other counties, people are still nervous and don't feel as good as they should, but it bodes well."

There is concern, however, that the popularity of Somerset as a place to live is creating long-term pressures. During the 1980s, inward migration increased the population by 9 per cent and the forecast is for a similar rise in this decade. The environment department, in its planning guidance, has indicated a need for 50,000 new homes between 1991 and 2011. Despite the popularity of

Somerset for retirement, less than a quarter of the newcomers in the 1980s were pensioners. Unemployment is lower than the south-west average and stood at 7.1 per cent in February, or 15,474 people, compared with 8.4 per cent a year previously. But, with the working population rising, there is a need to create jobs not only for today but tomorrow.

For this reason, the Somerset Economic Partnership was launched last year to devise a strategy for job creation and promote a positive business image for the county. It is backed by the local authorities, training and enterprise council, chamber of commerce and industry, and has representation from the CBI and Trades Union Congress.

The partnership is linked with the West of England Development Agency, set up this year by five counties to seek inward investment. Both bodies are chaired by Sir Michael Lickiss, former managing

partner of Grant Thornton, the accountancy firm. He says: "If trends continue, in five or six years' time, unless there is a positive creation of jobs in Somerset, there will be 25,000 people looking for work for whom there are no jobs."

"Either people will go somewhere else to get jobs, in which case we will become a geriatric county with all the pressures that has, or they're all going to stay around, in which case there will be an escalation of the problems you get with idle hands. Or you can do something about it in relation to jobs."

"I think those are the three stark choices. If in the process of creating those jobs, we have to have some change, surely that is a much better alternative than the others?"

He knows the partnership has a hard task of persuasion - "the natural response in Somerset is to say, 'Yes, we want to see more jobs created, we don't want unemployment - but we don't want the environment

harmful in any way.' People want improvement but don't want change."

Mrs Sylvia Dare, chief executive of Somerset chamber of commerce, comments: "There is a very big awareness of environmental issues in the county and that does not always sit comfortably with business in a thriving economy."

Mr Lee agrees: "There is a strong 'not-in-my-backyard' element and people continually tell me they have great difficulty in winning planning permission to expand or locate. We have to make it easier to win new businesses."

Somerset is a stronghold for the Liberal Democrats, who attach high value to environmental issues. Mr Paddy Ashdown, the party leader, is MP for Yeovil and, in 1993, his party won control of the county council from the Conservatives.

Although the other local MPs are Tories, they helped persuade the government to

reject proposals which would have seen the council and five district councils replaced by three unitary authorities.

The Tory MPs have also supported the county council over its attempts to raise the government's spending cap on its budget to mitigate the impact on schools. Mr John Major, the prime minister, was left in no doubt of the strength of local feeling when he visited Taunton last week.

Mr Chris Clarke, leader of the council, found the prime minister willing to listen. He believes there also needs to be a better dialogue, within the county, between the local authorities and business - "the balance between protecting the environment and economic growth is critically important," he says. "People choose to come here because of the environment. We have to protect that environment while generating jobs. It is a very serious challenge."

Somerset has won little investment from overseas and

Sir Michael says the partnership is not seeking to attract large-scale projects - "we believe small operations would be right for Somerset and would protect and enhance the diversity here."

There are no fewer than 17,000 VAT-registered businesses but less than 2 per cent employ more than 100 people. This month, Somerset Tec is backing the setting up of a Business Link network to provide companies with one-stop support services.

Mr Roger Phillips, chief executive of the Tec, sees a selling point of the county is that its population centres have at least one company with a nationally-known name, such as Cuprinol, the wood-care company, and Relyon, the bed manufacturer.

"That allows us to see economic and social cohesion emanating from them," he says. "That gives some pedigree for inward investors. There is a rich seam of engineering, design and innova-

tion. There is a culture of 'entrepreneurialism' with a whole 'list' of very good enterprises, ranging from component manufacture to food processing."

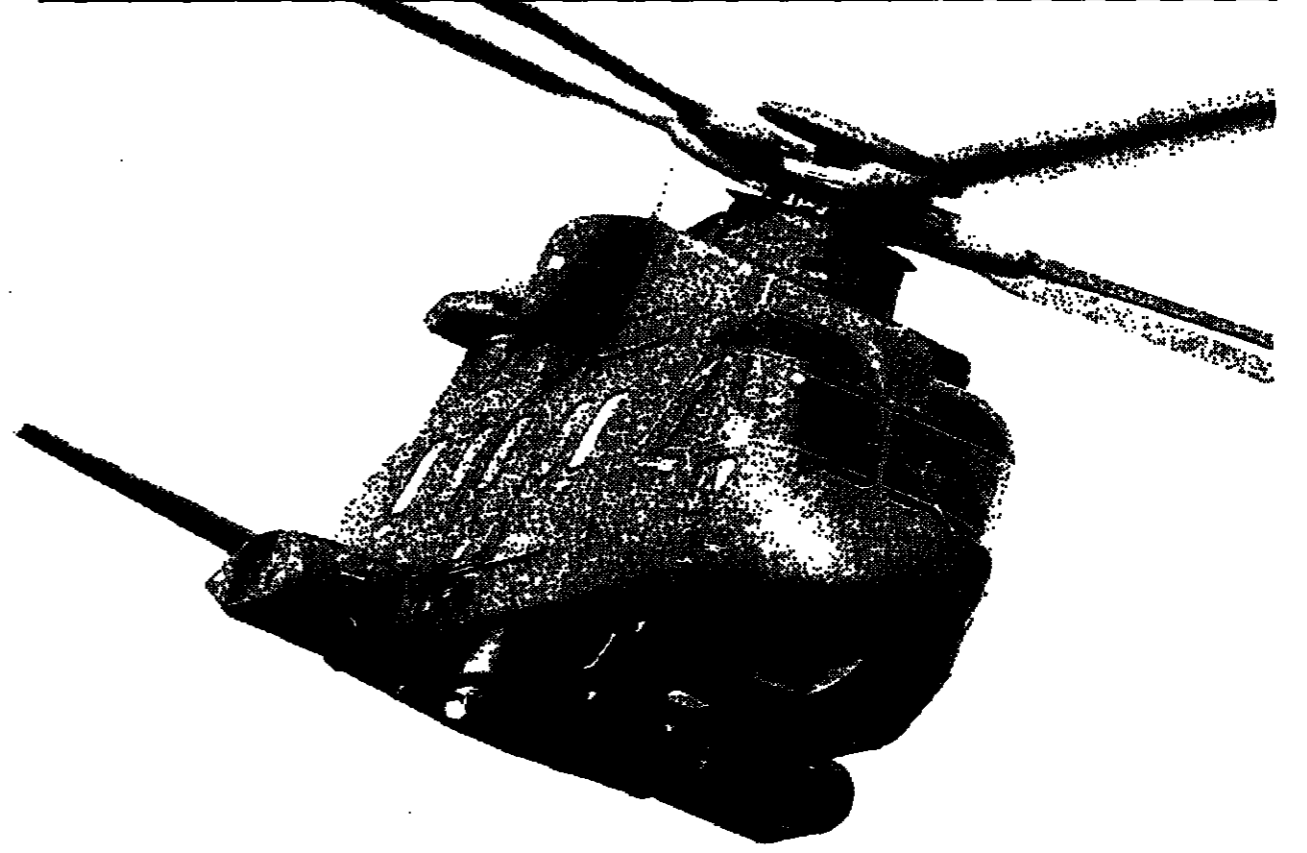
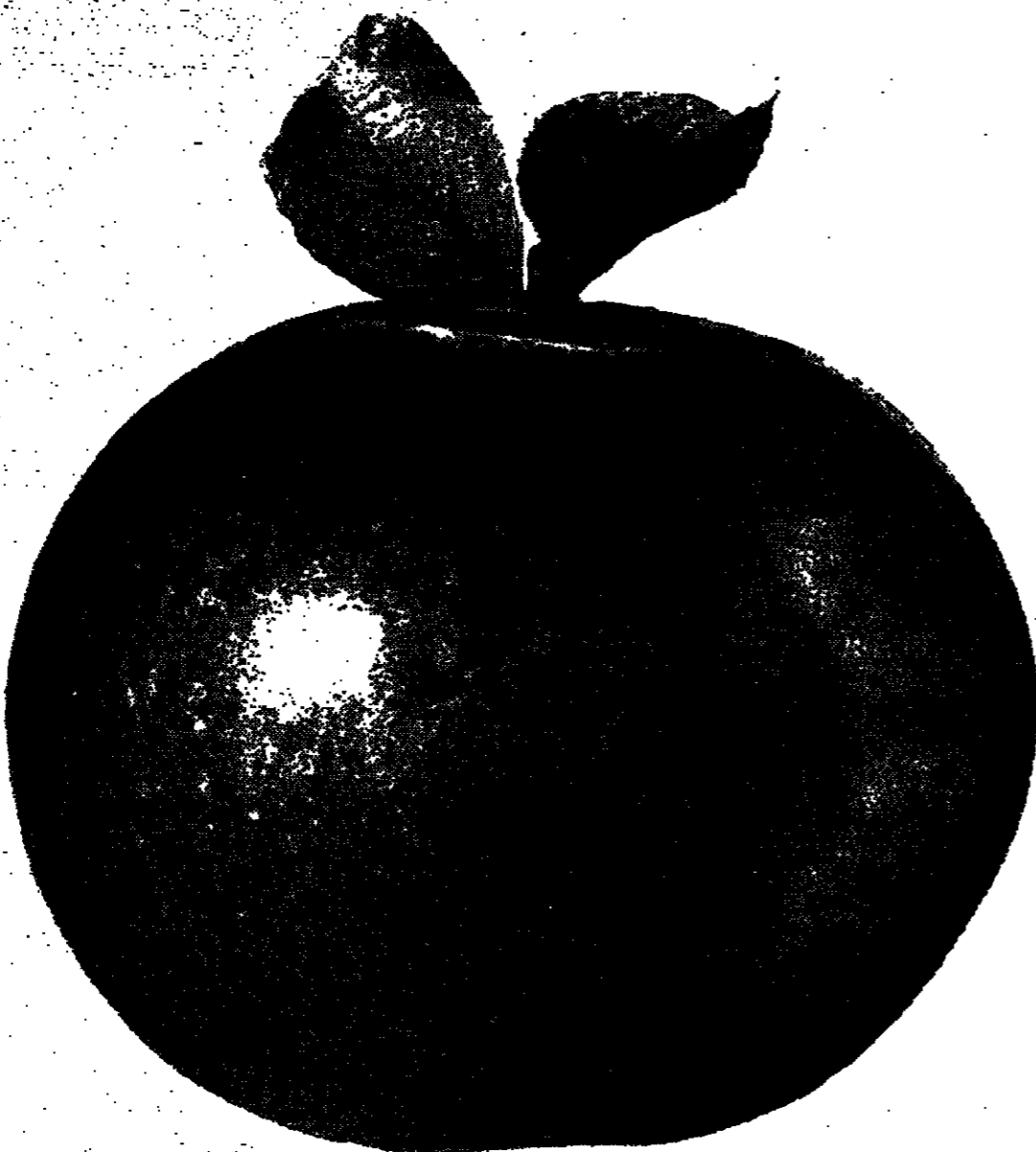
Mr Lee adds: "There is an incredible number of go-ahead companies which provide a tremendous base for anyone who wants to set up here. One of the best-kept secrets in Somerset is the sheer diversity and skills of these small contractors."

Mr Clarke, stressing the need to train people for jobs to replace those lost in manufacturing, wants Somerset to have an open-access university. This is one way in which the county could raise its profile. Another way, Sir Michael thinks, would be to have an international sports and conference centre beside the M5 motorway - "the site would be superb."

Such projects might counter a tendency to think of Somerset as merely being en route to Devon and Cornwall, rather than a place to visit and work. Mr Clarke adds: "We need to promote Somerset better than in the past. I hope, with every one working together, in the future we can see a powerful Somerset presence."

Environmental issues: page III
Property market: page IV

Guess what these have in common?



We don't just produce cider apples here in Somerset! Westland, Clarks, Mulberry, Taunton Cider, Courtaulds, W.P.A., Haynes Publishing, Relyon, Cuprinol, Varta, GEC Marconi and Thorn EMI are just a few of the brand leaders that contribute to Somerset's dynamic modern business base, while at the same time exporting to the world, along with a host of other successful businesses.

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SOMERSET II

County well-placed to attract more office-based relocations

Service industries expand

Taunton is expected to grow as a service and administrative centre, writes Roland Adburgham

Mr Julian Stainton, the energetic chief executive of Western Provident Association, is flummoxed. He is trying to think of disadvantages to the health insurer, the third largest in the UK, being based at Taunton.

The WPA is the most significant relocater in recent years to Somerset, moving in 1992 from three sites in Bristol to purpose-built offices beside the M5 motorway.

At last, Mr Stainton thinks of a possible disadvantage - if rail privatisation were to reduce services to London. But he finds it much easier to think of the advantages - "there is a very well-educated and extremely good workforce in Taunton. We are highly selective employers and invest huge sums in training."

"For every job we have, there are hundreds who want to take it." A low staff turnover, he adds, is "a clear indication they like the work and

like the environment."

When Mr Stainton arrived in 1987, the business in Bristol was on course to go out of business, imploding under the weight of its paper files, failure to respond efficiently to customers, and poor morale exemplified by a remarkably high staff turnover - "it was a complete shambles with not a penny invested in training people," he says.

Since then, annual income has risen to £86m and WPA has recently gained the Investors in People training standard. A lateral organisation has been created and there is heavy investment in information technology. The association employs 250 people, more than two-thirds of them women, earning on average between £12,000 and £14,000 a year.

Mr Stainton gives three main reasons for the move from Bristol: traffic congestion in the city, lack of integrated public transport, and competition for staff from other insurers.

"We didn't need to be in the city centre - we have very few customers in off the street," he says. WPA considered sites around the west of England before settling on Taunton.

While WPA relocated from within the region, two other important moves to Taunton were by the Charity Commissioners and Treasury Solicitors. Service industries have been expanding in the county and account for about two thirds of all employment.

Somerset's overall labour force is 270,000 and, as elsewhere in the UK, female employment has been rising - in 1991 there were 130,000 women in employment, nearly as many as men. However, half the women were in part-time employment, compared with only one in 25 of the men.

Until the recession, there was strong growth in hotel and catering - tourism is an important local industry - and in retail distribution and education. Again as elsewhere, there has been a sharp rise in the numbers of 16-year-olds going into further education - in 1992, 67 per cent did so in the county. Somerset College of Arts and Technology at Taunton is one of the largest colleges in the south-west, with 11,000 students and 500 staff.

Another service sector with potential for growth is age care. The migration into the county of retired people means they account for two thirds of the net demand for housing. The county wants to attract more of the affluent retiring 'young', with the demand they will also bring for professional and financial services.

So far, the county has failed to follow the national trend in the rapid expansion of these services. The proximity of Bristol as a financial services centre creates less need for a large local network and incomers have been few. One exception is the Taunton office set up in 1986 by Nelson Cobbold, a nationwide regional firm which offers a stockbroking

and investment management service and advice for private clients and smaller companies.

Information technology means, though, that big-city location is becoming less important than costs. Taunton is expected to grow as a service and administrative centre, attracting companies such as Booking Services International, a hotels and conferences reservations agency which is already based there.

With a rail service to London in 100 minutes as well as the M5 motorway, the town is seen as well placed to attract more office-based relocations as cost pressures build up again in London and the south-east.

Taunton's position as the county town - which it has been for only 40 years - is reinforced by the reprieve of the county council from threatened abolition. The council, which is based there, is Somerset's largest employer with 15,000 staff.

Elsewhere in the county, Wincanton, the Unigate subsidiary which is one of the UK's largest transport and distribution companies, has its national headquarters based beside the A303 trunk road - it was established there originally because of its milk business. It employs over 300 people in the county.

A less traditional service is Orchard Communications Design, in the heart of the county at Somerton. Orchard has set out to prove that, with the right skills and technology, even corporate communications companies can thrive away from cities. It has a national and international client list and, proving it lacks nothing in up-to-date techniques, its multimedia division has started work for a client on a virtual reality project.

Rise in milk prices erodes profits

Anxiety among cheesemakers

Somerset's cheesemakers are anxious. Considering the 20 per cent rise in raw milk prices since deregulation of the market last autumn and the 2,200 redundancies announced by dairy goods producer Northern Foods last month, however, anxiety may seem a modest show of emotion.

The reason for concern rather than panic is the belief that the turmoil caused by last year's rounds of bidding from Milk Marque, the successor to the Milk Marketing Board, will not be repeated in 1995.

"The price bid for milk is unlikely to fall, but milk buyers will take a saner view of what price they are prepared to pay this summer," says Mr Stephen Curtis, managing director of Horlicks Farms which makes mature and extra mature cheddar.

The problem last year, according to Mr Curtis and other cheesemakers in the county, was the system of indicative, and therefore non-binding, bids for milk. Amid rumours of a milk shortage, this inflated demands for quantity and raised prices. This year, there are at least precedents for demand and confidence in supply.

Deregulation has already taken its toll. Mr Simon Oliver, chairman and chief executive of Mendip Foods, whose Frome processing plant cuts and packs 300 tonnes of cheese per week, has seen two of his small suppliers close their cheese-making operations in the last six months. Mr Curtis is aware of three farmhouse cheese producers that have had to shut down. Understandably, small cheesemakers are less sanguine about the coming milk



Simon Oliver, right, chairman of Mendip Foods with the UK's trade minister, Richard Needham at the company's head office in Frome

round than large companies such as Horlicks or Mendip. One worried, family-owned cheddar-maker says: "We could have lived with even a 10 per cent price increase, but this 20 per cent hike has been the real cold shower treatment."

Mild cheddar producers, as opposed to mature or specialist cheese producers who add value through longer development periods, product presentation or distinctive recipe, have taken the worst knock on margins.

Assuming a cost of 25 pence per litre for raw milk on 10,000 litres to make one tonne of cheese, a tonne of mild cheddar comes in at £2,500, almost exactly the wholesale price. A rise in milk prices eroded any possible profit.

The trends in consumption away from mild to mature and extra mature cheddar, which in all its forms accounts for around 60 per cent of the UK cheese market, further unnerves producers of mild cheddar.

Things could be worse. Mr Oliver believes the foreign demand for milk powder and butter has soaked up much of the Irish Republic's capacity to undercut Somerset producers. This has given the county's producers a three-month stay of execution, he says, and by then the industry will be into the next round of bidding for milk.

In the meantime, all eyes are on the retailers. The shop price for cheddar is moving upwards, but not fast enough for the comfort of Somerset's producers. Mendip Foods reports that some of its mild cheddar suppliers claim prices have only covered replacement

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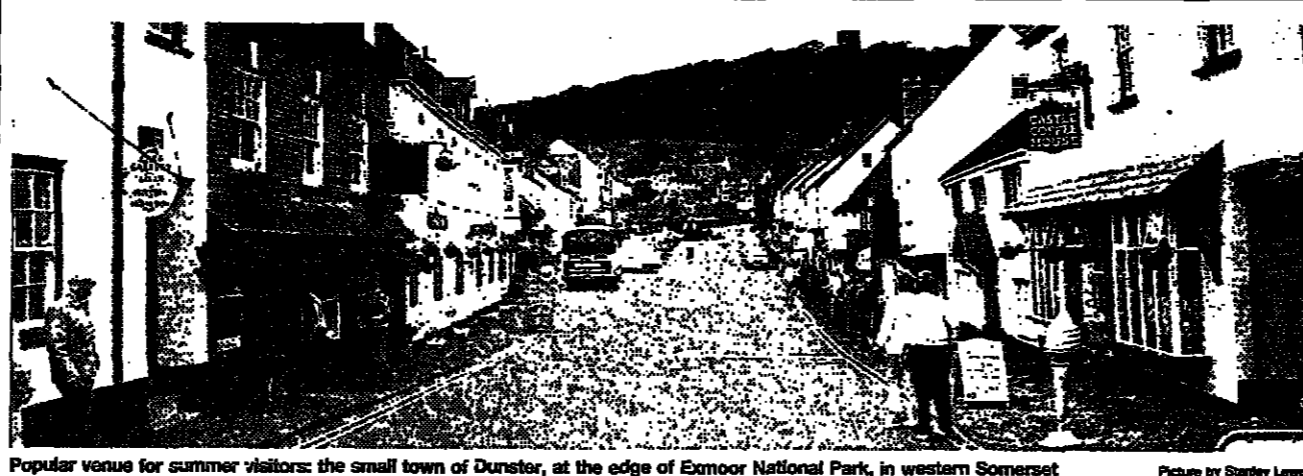
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Popular venue for summer visitors: the small town of Dunster, at the edge of Exmoor National Park, in western Somerset. Picture by Stanley Lewis

Big contributor to the local economy

Taunton Cider's changing image

Rumours of Taunton Cider's departure from Somerset were greatly exaggerated. After the resolution of a planning disagreement over possible expansion of its Norton Fitzwarren site, just outside the county town, speculation that the company could move north to Avonmouth is refuted, writes James Harding.

"We've no intention of leaving the county, the home of good cider," says Mr Peter Adams, chief executive of Taunton, which with a market capitalisation of £150m is the largest quoted company based in Somerset.

"The West Country is the home of cider, much more so than Hereford," he continues, in a not so oblique reference to Bulmers, Taunton's chief rival, which controls 45 per cent of the market compared with Taunton's 35 per cent. In other ways, however, Taunton Cider has been shedding its Somerset affiliations. From source of input to packaging of final product, Taunton Cider is marked by an international rather than parochial image. The launch last year of a



Lorry-loads of apples arriving at the Taunton Cider plant

local orcharding scheme was seen as more of a community initiative than a drive for raw materials. Taunton still buys apples within a 40-mile radius of Norton Fitzwarren. But it is no surprise, considering the surplus of cider juice on the European market, that most of its raw materials come from the continent, particularly from Normandy and Brittany.

More striking than the sourcing of cider juice has been the drive in recent years to reinvent the finished product in the public eye. No longer the traditional West Country recipe for a good time and surefire

hangover, Taunton has been at the forefront of promoting cider as a stylish alternative to premium lagers and wine.

Mr Adams compares the development of premium packaged ciders with the revolution in the late 1970s when cider became available on draught in pubs - "cider changed from being thought of as a West Country rocket fuel like scrumpy to a long drink comparable with beer," says Mr Adams. "The next step has been to take advantage of the same forces that have sent premium lagers racing ahead."

Diamond White, a white

cider launched in 1986, was in the vanguard of Taunton's diversification. Since then, the company has produced other imitations/competitors to beer and wine, most recently Diamond Ice, capitalising on the fashion for ice-cooled beers.

Last year, premium ciders accounted for 18 per cent of market volume, compared with 5 per cent five years ago. But Taunton's turnover for 1994 was £125.2m, only 2 per cent up on 1993, a marked slowdown in sales which had grown rapidly since 1980. According to Mr Adams, the emergence of a large volume low-cost cider market has acted as a brake.

In the last 18 months, Taunton has entered the market for "value for money" cider - "having taken quite a knock on margins," Taunton says it now controls a third of the market.

At either end of its product range, there is little to show Taunton's Somerset origins. But with estimates of its contribution to the local economy running into tens of millions of pounds, Somerset will be glad to see one of its flag-bearing companies looks set to stay.

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SOMERSET III

MANUFACTURING

As diverse as the landscape

Industry benefits from a wide range of local manpower skills, reports Roland Adburgham

The roadsman, close to the stream at Chilcompton, warns "Ducks - Slow Down," as motorists approach the factory shop of Mulberry Company (Design). Inside the shop, there are racks of stylish clothes and the pungent smell of leather from an array of belts, bags and briefcases.

A short distance away is the factory itself, a utilitarian building painted matt green to blend into the surrounding farmland and where Mr Roger Saul, founder of the company, and his designers constantly add to Mulberry's range. A private company, Mulberry has become an international designer label with an up-to-date but classic English look, combined with best quality materials and manufacture.

This is at a price - briefcases cost over £400 - but Mulberry has grown despite the recession. This year it expects to generate worldwide retail sales of £60m to £65m. Leading markets include Japan, Germany and Scandinavia.

Mulberry employs about 400 people in Somerset, drawing upon a labour force traditionally skilled in leather work, a trade which has otherwise lost ground in the county. By the end of this year, C & J Clark, the shoe company, will have closed its factory at nearby Radstock with 600 redundancies - "It is an irony that Mulberry has been able to grow here because other leather-related industry has declined," says Mr Saul.

There are constraints for Mulberry in Somerset - there is not room at Chilcompton for planned expansion. Productivity has to counter lower labour costs in countries such as Portugal. But Saul comments: "Per-

sonally, I'm wedded to the county - we've built tremendous skills here and people feel deeply committed to our success."

Leather work in Somerset also continues with Pittards in Yeovil and Clark's itself, established since 1825 and still a leading employer. It has 1,500 staff at its Street headquarters and makes children's shoes at Shepton Mallet, where it employs 420 people, and at Ilminster, where it has 370.

Shoe-soling chemicals remain the main activity of ICI Polyurethanes at its UK commercial headquarters at Shepton Mallet, where it acquired Avalon Chemical in 1989, then part of Clark's.

However, the range of manufacturing in Somerset is as diverse as its landscape. Leading companies in a variety of sectors are scattered around the county, helping to ensure the industrial base is not over-concentrated.

The biggest employer is Westland Group, based on a 350-acre site at Yeovil, where it has a labour force of 5,500. Westland lost its independence last year when taken over by GKN engineering group. But morale was boosted last month by an order from the Royal Air Force for 22 of its EH101 helicopters, which will secure

many jobs for years. "From a manufacturing point of view, we are as well placed here as anywhere," says Mr Christopher Loney of Westland. "There is a good skills base in the area."

The group's regional importance is shown by its 200-plus sub-contractors in the south-west and about 50 local service providers.

Nearby is Aerosystems International, a joint venture between Westland and Sema which has grown rapidly to £12m revenues last year. It believes it is the only company worldwide to specialise exclusively in software design for military and civil aircraft.

The company moved from New Malden in Surrey in 1989 and now employs 266 people. Mr Scott Roy, managing director, says operating costs are lower in Somerset and the quality of life, and lack of commuting problems, have led to much lower staff attrition.

Another important defence-related company near Yeovil is GEC-Marconi Naval Systems, which makes sonar equipment. A contrasting business in the area is Haynes Publishing, the motor manuals company. In 1994, it had record pre-tax profits of £5.81m on sales of £45.9m. Nearly a quarter of that turnover was accounted for by its subsidiary



Roger Saul of Mulberry: world sales of quality leather goods with the classic English look may reach £55m this year

Photo-Scan, which sells closed-circuit television to shops and town centres.

Wellington has another leading company in Aerosols International, part of Swallowfield group and making cosmetic, toiletry and household goods. At Chard, there is the food processor, Oscar Mayer. At Wells, Clares Equipment makes products such as supermarket trolleys. Nearby, St Cuthbert's mill, owned by Inverest, sells pre-impregnated papers and artists' papers in 33 countries.

Frome, in the north-east, has nationally-known names. The privately-owned Butler & Tanner is the country's largest printer of colour books - some 40,000 a day - and turnover will reach an expected £37m this year. It employs 440 people locally.

Other big local employers include Cuprinol, the wood-care subsidiary of Williams Holdings which exports to 46 countries, and Mendip Foods, the wholesale cheese supplier, (see report on facing page).

At Bridgwater, there is a long-established manufacturing tradition. Last November there was a setback when Flexicare Medical, making sterile packs, announced it would relocate to south Wales. But another Bridgwater company, Bairdwear,

which makes underwear for Marks & Spencer, is expanding into a new factory.

Another growing company there is HIS, which makes PVC-U window systems. It relocated from Clevedon in 1987 and has since doubled its workforce to 200.

More than £2m has been invested in its plant and HIS recently launched a joint venture to build an Indian factory with Garware Synthetics of Bombay. Other locally-based companies include Courtalds Films & Packaging and Brithene Films. On the nearby coast is Nuclear Electric's power station at Hinkley Point.

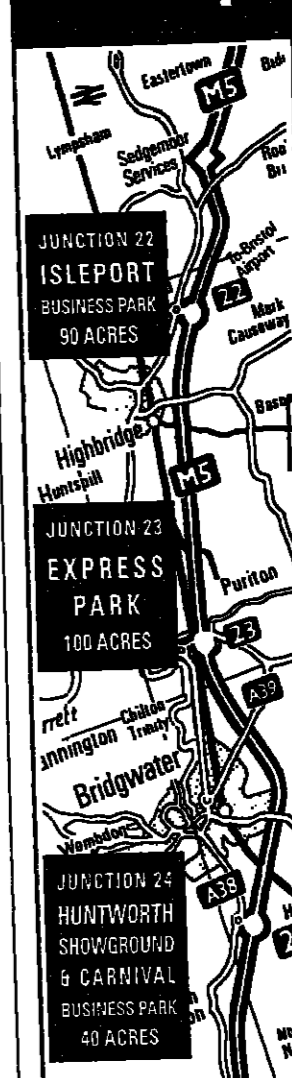
The county town of Taunton has two well-known quoted companies, Taunton Cider and Bridport Gundry. The latter is one of Britain's oldest businesses and its subsidiary Pearsalls is one of the few manufacturers left in the town centre. The county museum has a steam-powered beam engine, made in 1865, which was used at the factory until 1955.

Today, Pearsalls is a world leader in making silk for surgical sutures. Bridport Gundry itself manufactures an array of technical textiles, finding new markets ranging from safety visors for aircraft overhead storage bins to cargo pallet nets.

Geoffrey Woods, the chief executive, came from the Midlands in 1983 and has been transforming what was a rather moribund company. He confirms manufacturers' general view of the Somerset labour force: "I've found the people here excellent," he says.

"Their attitude is the most conducive I've found towards being creative, involved and willing."

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Tranquil scene: the Parish Church at Wells, at the foot of the Mendip Hills



Somerset residents are highly sensitive to environmental issues. Above: the picturesque bridge at Allertonford. Picture by Stanley Lewis

Conflict will move keenly into focus over the next decade, reports James Harding

Tensions rise over the environment

There is an ominous echo when Somerset council officers discuss the county's environmental policy.

In one breath, they celebrate the recent return of the Somerset Levels as a haven for English wildlife, after the turmoil of peat production sanctioned 30 years ago "when people paid little attention to the environment and thought peat extraction would create jobs."

In the next, they accept the large limestone quarries in the Mendip Hills "hardly consti-

tute sustainable industry but are crucial to the local economy."

Thirty years from now, the environment officers suggest, their successors may well be battling to rehabilitate the Mendips, just as they have

struggled to restore the Levels.

Conflict between industry and the environment is a feature of the county. Tourism demands preservation of Somerset's natural assets, markets for aggregates and fertilizer encourage their extraction.

The competition will come more keenly into focus over the next decade. The county's draft structure plan, the strategy for planning until 2011, gives a commitment to sustainable development, favouring those who preserve the environment over those who exploit it.

Such an environmental bias is not surprising in Somerset, justly proud of its natural assets, with a coastline, Exmoor national park, four areas classified of outstanding natural beauty and six national nature reserves. The county has often been at the forefront of national campaigns to protect the countryside.

The efforts to keep the plough off Exmoor in the late 1970s, Somerset environmentalists claim, laid the foundations for the 1981 Wildlife and Countryside Act to protect areas of natural beauty.

The most recent triumph for conservationists has been the rehabilitation of the Levels,

the waterlogged peatlands close to the Bristol Channel.

In 1992, Fisons, the fertilizer manufacturer, relinquished its rights to 1,000 acres and handed over the land to the county for nature conservation. Since then, the rising

the industry.

"Some suggest that in the future, the profits to be made from the limestone hills, one of the country's few natural aquifers, could well prove that the business of crushing the rock to build more roads is short-

Tourism demands the preservation of Somerset's natural assets, but markets for aggregates and fertilizer encourage their extraction

water level has lured back many species of birds.

The only disheartening element, from the conservationists' point of view, is their suspicion that Fisons handed back the land when it no longer had a commercial purpose. If the same proves true for limestone quarrying, then exploitation of the Mendip sites may only cease in 30 to 40 years' time.

As well as concern at the landscape damage caused by the quarrying of carboniferous limestone, local environment officers have doubts about the long-term economic wisdom of

sighted," says Mr Ken Brown, assistant director of Somerset council's environment department.

The council's draft structure plan, however, acknowledges that "while reductions in output of some minerals would bring environmental benefits, the reality is that Somerset will continue to be a supplier and in the case of crushed rock aggregate that will be the major share of regional supply."

After all, the total revenue of the Mendip Hills quarrying industry in 1993 was £150m.

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† Gallup survey, published in Insurance Age Health Supplement Sept. 1994. Western Provident Association, Rivergate House, Blackbrook Park, Taunton, Somerset TA1 2PE



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SOMERSET IV



Taunton Riverside, a 52-acre retail, leisure and business park developed by Wilson Connolly and the biggest of its kind in Somerset

Increasing inquiries for office and industrial property

Motorway proximity is the key

It is three decades since the M5 motorway was built through Somerset, but only in recent years have its junctions started to sprout development sites ready to capitalise upon it.

North of the county, the transformation of the now-thriving Bristol port and construction of the second Severn bridge to Wales, due to open early next year, have re-awakened interest in industrial and commercial development alongside the M5 near to its connection with the M4.

In Somerset, the retail groups Argos and Gateway have recently opened regional distribution centres next to the M5. The hope is that, as the UK recovery continues, more companies will follow suit, recognising the county as a pivotal point for the south-west. The M5 corridor, running south from the Bristol region, is a direct link to Exeter and the far south-west.

Mr Richard Over, partner at the Taunton office of Bruton Knowles, property consultant, says it is only in the last seven to eight years that people have woken up to the fact that the west country beyond Bristol is a good option to the south-east and very accessible by road and rail.

In capitalising upon this asset, developers have been concerned at what they consider to be a sometimes negative attitude by Somerset planning authorities.

This year, Tarmac Structural Concrete won consent to develop an industrial site near the M5 after Taunton Deane borough council had refused permission. Mr Nick Engert of Clarke Willmott & Clarke, the law firm which acted for Tarmac, says: "Local need was a key point throughout this appeal."

Mr Kim Pedersen, of Chester-

ton, the property consultant, finds councils in general have become more interested in opening up sites - "there is a lot of sites with infrastructure throughout the county which are ready to come on stream," he says.

Mr Over says the strongest element of today's property market is close to the M5: "More and more, we see inquiries are coming for both offices and industry where proximity to the motorway is the main criteria. Modern office space near the motorway is achieving £12.50 to £13 a sq ft."

He points out, however, that developers are still very cau-

acre Express Park has outline consent for a regional distribution and production centre. Five miles further south, at junction 24, Argos and Gateway are on Huntworth business park. The park, developed by Summerfield, also has the purpose-built factory of HIS, which makes window systems.

Nearby are Showground and Carnival business parks. Showground, developed by Rockcastle, the Exeter-based company, is a business, warehouse and industrial park and home for Bairdwear's new 70,000 sq ft factory. Carnival is being developed by Wickes Properties.

As the UK recovery continues, Somerset's pivotal location in the south-west may attract even more companies to open up regional distribution centres close to the M5 motorway

tious of speculative building. Mr Pedersen says distribution inquiries tend to be contract-driven, wanting space for three or four years - "you can't persuade a developer to put up a new building for that and we haven't much existing space."

The Sedgemoor district, centred on Bridgwater, is the part of the county closest to Bristol port and the Severn crossing and is within a short driving time of Bristol airport. With a mainline railway as well, it is identified in the county's draft structure plan as strategically the best district for economic development.

The most northerly business park, near Junction 22, is Isleport, a 90-acre site for office, warehouse and industrial use with 68 acres available. It is a joint venture by Summerfield Developments, Scarborough Properties and Sedgemoor district council.

At the next junction, a 100-

Further south, at junction 25, there is Taunton Riverside, a 52-acre retail, leisure and business park developed by Wilson Connolly and the biggest of its kind in Somerset. The Riverside project, with a Sainsbury's superstore as an anchor, was started in early 1991 and has only four acres still to be developed.

Adjacent is Heron Gate office park, a two-acre site developed by Wilson Connolly in association with Durrant Developments, which is a speculative scheme for small office units.

A separate scheme at junction 25 is Summerfield's office park of Blackbrook, home of Western Provident Association. Summerfield is also responsible for Chelston business park, 33 acres next to junction 26 at Wellington, and intended for offices, production and distribution.

The most spectacular recent development in Somerset, however, is not near the M5 but in

the centre of the county. This is Clarks Village, the factory shopping complex at Street, with 37 outlets and a third phase planned.

Not far away, near Shepton Mallet, Royal Bath and West Society has upgraded its conference and exhibition space and, in May, will relaunch itself as Westex, able to take groups up to several thousand and with ample car parking on a 200-acre site. It came to national attention in February as the venue for a Frank Bruno heavyweight boxing match.

Also at Shepton Mallet is Mendip Business Park, with initially 30 acres for office, production and distribution and developed by Wayopen Estates.

In general, the property market in Somerset remains patchy. Mr Over says no particular pattern is established at present. For offices, there is two-tier market. Most inquiries tend to be for out of town, wanting open-plan modern space. In town, there is a lack of good office space and, although there is some demand for refurbished period property, it is at lower rentals.

Prime retail space has held up reasonably well, with Taunton sites peaking several years ago at £95 a sq ft and now averaging £75-£85. But secondary retail sites have been affected by recession and there is much vacant space.

In the county's three main towns of Taunton, Yeovil and Bridgwater, there have been fears about the impact of edge-of-town and out-of-town retailing on their high streets. The recession has made this hard to quantify, but Bridgwater appears to have suffered most and will face further competition when a regional shopping centre opens at Cribbe Causeway, north-west of Bristol.

Roland Adburgham

Fresh initiatives to lure the tourists

Contrasting attractions

For good or ill, Mr Mobby has come to Somerset. The puffy character from British TV has become the main attraction at Crinkley Bottom, the UK's first 'television theme park' at Cricket St Thomas. Regardless of a certain level of local disdain, the theme park, built around an old country house and gardens, has pulled in the tourists, writes James Harding.

Crinkley Bottom, the Clarks shoe factory shopping village at Street, which has drawn over 3m visitors since it opened in 1993, and Budlin's Somerwest World at Minehead, which can cater for 9,000 holidaymakers at a time, are telling indicators of the challenges to Somerset's tourism trade. Such manmade attractions are in sharp contrast to the more subtle appeal of Wells Cathedral, Glastonbury Tor, Cheddar gorge, the Quantock and Mendip Hills, and Exmoor National Park.

The formula of natural beauty and artificial entertainments has been enough to attract an increasing number of visitors in recent years. But as competition for tourism increases, so the constraints on new attractions are likely to intensify in order to protect the landscape which is the county's main asset.

The Somerset visitor accommodation survey, which gives the most recent comprehensive figures, shows visitor nights in 1993 surpassed the 10m mark for the first time since the survey started in 1987.

Overall, visitor nights were up 1.2m or 14 per cent on the previous year. The region's core holiday area, West Somerset, which includes coastline and some of Exmoor national park, registered an impressive rise of 823,500 visitors, a 23 per cent increase.

When it comes to types of visitor, the survey is not so encouraging. While the numbers of British tourists have risen, those from abroad have grown less quickly and business visitor nights fell between 1992 and 1993. Inland areas see only a fraction of the numbers who stay in the coastal region.

Luring higher-spending tourists into the county, both for short-breaks in the off-season months as well as for family holidays, is one of the objectives of the Somerset Tourism Partnership, an initiative which co-ordinates



One of Somerset's more traditional attractions: the magnificent west facade of Wells Cathedral - begun in the 12th century, the cathedral derives its name from the many springs rising nearby

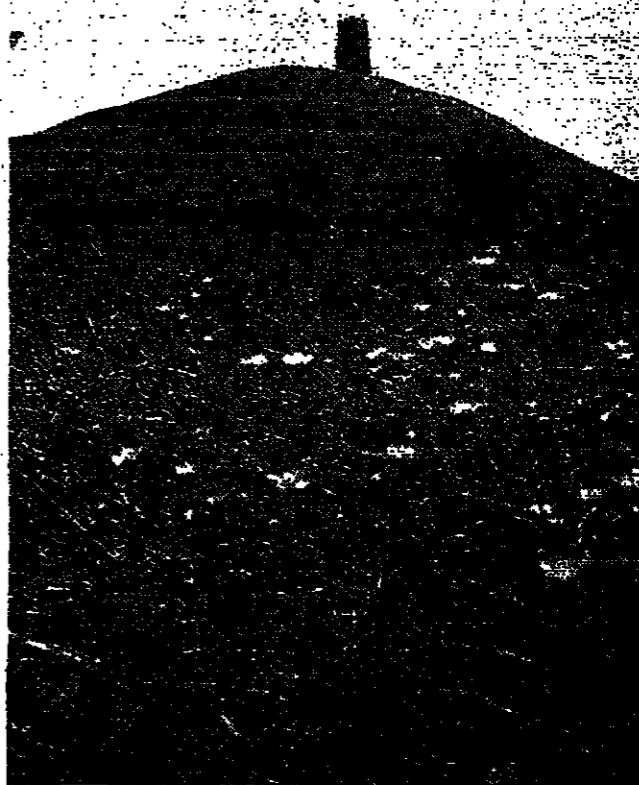
efforts by the public and private sector. The partnership has published regional advertisements and brochures which highlight the appeal of historic Somerset, which includes Bath, outside the county's current borders.

Ms Judith Crisp, Somerset tourism officer, explains the need to broaden the approach: "The overseas visitor is going to be looking at the region, not just at Somerset, so we decided that we had to act as a region."

With an eye to visitors from Germany and the Netherlands, the county's strongest European growth markets, promoters are trying to encourage 'green' tourism, such as cycling and walking holidays. The emphasis on outdoor pursuits and the partnership's image awareness campaign based on three themes, 'Coast, Countryside and Culture', sit well with the county council's commitment to sustainable development.

Its draft strategy for development until 2011 promises that "tourism facilities associated with existing heritage and countryside attractions will be permitted." But it requires that all future developments "must be compatible with a rural location, create no harm to the landscape and not involve substantial new buildings."

Future Crinkley Bottom-type attractions will have to meet those standards.



A famous Somerset landmark Glastonbury Tor (rising peak), located in an area of many historic legends in the Mendip district

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Watchet plans 280-boat marina

The dozen or so boats sitting on the harbour mud at Watchet reflect the recent history of a Somerset shipping centre that ran aground, writes James Harding.

With plans to build a 280-boat marina, however, residents and local councillors believe that Watchet, pictured above, will emerge over the next five years as a thriving harbour for leisure craft.

The £4m project to build the marina, which has won a £1m grant from the Rural Development Commission and, in principle, a 50 per cent European grant, is part of a drive to reverse the industrial decline along the county's coastline, most marked in Watchet since the collapse of the town's Shipping Company in 1993. When the company stopped

trading, it took the last 19 jobs with it after a prolonged decline.

The popular enthusiasm for the marina, demonstrated at a ballot of boat-owners who came out 81 per cent in favour, is an indication of the merits of the marina as well as the economic needs of the area.

It promises to boost Watchet's annual income from tourism, which was nearly £8m in 1993, by over £500,000 and create at least 40 long-term jobs, according to West Somerset Council, which with other public and private sector groups, launched the Watchet Regeneration Partnership. The team hopes that a wharf development, including shops and restaurants, will follow the marina.

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COMMODITIES AND AGRICULTURE

EU farm ministers postpone 'green' currency decision

By James Harding

European Union farm ministers yesterday delayed a possible postponement of rate changes in the 'green' currency system, agreeing only to make a decision when they returned to the subject on May 29.

The delay on procedural grounds at the conclusion of a two-day meeting in Luxem-

bourg aimed at addressing problems in the agrimonetary system, is another signal of farm ministers' reluctance to implement the rules of the system where they may erode some farmers' incomes.

Revaluations of a green currency, the rate that converts common farm prices and subsidies into national currency, means a corresponding fall in

the value of aid to farmers. Belgium's 130,000 farmers 6,000 Luxembourg producers were facing a revaluation of the Belgian green rate on May 5, but a decision has now been put off for another month. A revaluation also looms for Dutch farmers, but the German rate has recently come back within the agrimonetary bands after the Bundes-

bank trimmed interest rates. Since the new rules governing the system came into force at the beginning of February, there have been over two dozen devaluations, but the first possible revaluation, for the Belgian green rate, has been postponed twice.

Proposals from Germany, intent on protecting its large farming population from the

adverse effects of a strong D-Mark, to increase the amounts the EU would pay farmers to compensate for a revaluation were understood to be on yesterday's agenda.

Britain, however, which has a weaker currency and wants to fend off costly compensation in the case of revaluations, had blocked a decision by farm ministers on procedure

grounds, EU officials said.

Social affairs ministers who meet on May 17 have the capacity to take a decision on revaluations as the farm ministers failed to agree.

However, agriculture ministers asked their social affairs counterparts to delay any green revaluations until the next farm council meeting due on May 29-30.

Rappaport takes long view after NY exchange merger

The Nymex chairman now has to inject fresh energy into his expanded empire, writes Laurie Morse

When 27-year-old Danny Rappaport stepped into the platform ring at the New York Mercantile Exchange in 1981 and attempted his first futures trade, he was terrified and unsure of the process. Tugging on the sleeve of a bellowing trader next to him, he asked politely if he had to wait his turn to bid. "Kid," veteran Nymex trader Arthur Tobias replied, "You ought to go home."

Mr Rappaport stayed, and last month was elected to his second consecutive two-year term as the Nymex's chairman.

During his first term he managed what many thought impossible - a merger between the fractions memberships of the Nymex and the New York Commodities Exchange (Comex). The merger created a powerful alliance of energy and metals traders in New York City, and the largest physical commodities exchange in the world.

Such an alliance had been talked about for 18 years, but associates say it took Mr Rappaport's relatively fresh point of view and his keen understanding of the economic motivations of both exchange's members to achieve it.

Young enough not to have stepped in old market jealousies and to see the potential in global trading alliances, Mr Rappaport also guided the Nymex into agreements to distribute its energy products at two Pacific Rim futures exchanges. Those agreements

now include Comex metals contracts.

In 1993 he piloted the launch of the Nymex's first electronic trading system - Access - and with his board cleared plans to build a \$200m state-of-the-art trading facility to house the merged exchanges in Battery Park in Manhattan. Tax and

remarkably competitive world of derivatives trading. Despite the merger and healthy growth in energy trading, the Nymex has slipped from fourth to seventh place in the ranks of international exchanges in the last four years, largely because its commodity-product base does not grow as quickly as

jumped into the futures pits at the suggestion of a friend. The trading life was far less confining than the Law, he recalls, and while his first year was less than profitable, he eventually traded his way into a regular income.

The Nymex, at that time was a relatively unsophisticated exchange, was recovering from defaults in its now-defunct potato futures market and had just launched the heating oil futures contracts that would transform it into a powerful world market.

The exchange was viewed almost as family business, and was run just as conservatively. "There was a group of young guys who felt the Nymex was a great place to make a living, and we decided to get together and get represented on the board," Mr Rappaport says. "That was in 1986, and it took us seven years to get rid of the last of the old guard."

Including Mr Rappaport, Nymex's new board includes four trader-members with advanced management degrees and two with law degrees; a strong professional representation in an industry that does not require formal education for success. Mr Patrick Thompson, the president, is the chief staff executive and has been with the exchange since 1988.

Although Mr Rappaport retains a spot on the floor, he is a full time chairman, his \$600,000 compensation from the exchange last year freeing him

	Nymex	Comex
Number of members	816	772
Price of a full seat	\$480,000	\$108,000
Products:	crude oil heating oil gasoline	gold silver copper

	78m contracts
Combined volume in 1994	\$76.35m
Rank, by volume, among world futures exchanges	7th

other incentives from the city and New York State will whittle the exchange's portion of that bill down to about \$50m.

Meanwhile, as executives at Chicago's two big futures exchanges fended, he quietly supported standardisation of clearing systems and banking processes between the Nymex and the Chicago Mercantile Exchange, a project that is expected to save Nymex clearing members hundreds of thousands of dollars in operating expenses.

Now, at the beginning his second term, Mr Rappaport is faced with making the merger work, while keeping the Nymex positioned in the

futures based on financial instruments. And while 1994 was a landmark year for the Nymex in terms of volume, in 1995 turnover has slowed, with average daily volume at the energy exchange already 5 per cent below last year, and 11 per cent behind budget projections for the year. Comex volumes, and revenues, are somewhat higher than projected, but not enough to offset the Nymex shortfall.

Still, as a trader-manager, Mr Rappaport knows enough not to let short term considerations obscure the long view.

Trained as a lawyer and holding a masters degree in business administration, he

from the distractions of trading.

The Nymex/Comex merger was a risky venture for a rookie chairman, but Mr Rappaport says it made economic sense. "Everybody knew all along it was the right thing to do. It was just a question of making the effort to understand people's hopes and fears and address them in the merger documents. We continued this throughout the process, and never assumed we had a deal."

Money helped - between Nymex's Treasury and Comex's reserves, negotiators coughed up \$82m in cash "sweeteners" to get Nymex and Comex members to approve the merger.

At the same time Comex was looking for a partner. Members had watched their share of the world copper futures market drop to 7 per cent from 25 per cent as the London Metal Exchange lengthened its lead. New contract failures - notably plans to trade jet fuel - took their toll. "The Comex was viewed as a financially and emotionally fragile exchange," so our timing was right," Mr Rappaport says.

The Nymex must now pump fresh energy and capital into the Comex, which is known as the Comex Division of Nymex. Mr John Moore, chairman of the Comex Governor's Committee, says that is already happening. Although he actively opposed the merger, he now believes it was the best thing that could have happened.

No change forecast for CIS aluminium

By Kenneth Gooding, Mining Correspondent

Russian aluminium output is likely to be 2.7m tonnes this year, only 25,000 tonnes more than in 1994, according to the Brook Hunt metals consultancy group. Production in the Commonwealth of Independent States as a whole is predicted to remain at about last year's level of 3m tonnes.

Brook Hunt has revised down its estimate for CIS aluminium consumption for 1995. It suggests domestic demand will be only 560,000 tonnes in spite of the attempts to encourage more exports of semi-fabricated products from Russia.

As recently as 1991, Brook Hunt points out in its latest FSU (former Soviet Union) Aluminium Report, demand in the CIS was more than 2.3m tonnes this year.

The report predicts there will

this year be a sharp rise in CIS production of alumina, the raw material for aluminium. In the first quarter of 1995 output jumped by 10 per cent, putting it on target for 4.4m tonnes for the whole year compared with less than 4m in 1994. This was achieved even though there were technical problems at the large (1m tonnes a year) Nikolaev alumina refinery in the Ukraine. These are not thought to be so serious as to cause losses of more than 50,000 tonnes this year.

This improvement in the CIS alumina industry's fortunes may result from a government scheme to revive output by requiring smelters to take more of their requirements from domestic refineries.

FSU Aluminium Quarterly Service: 22,500 a year from Brook Hunt, 45 High Street, Addlestone, Surrey, KT15 1TU, UK.

Strong lead market seen

By Kenneth Gooding

Growth in demand for lead will show a substantial rise in the next ten years in line with demand for vehicle batteries, the metal's biggest market, according to Biliton Metals, part of the Gencor group.

It suggests that for the next ten years demand for lead will grow on average at an annual 1.5 to 2 per cent compared with the average of only 0.5 per cent since 1975.

A wide acceptance of electric vehicles would make this estimate conservative because it seems certain that the first generation will employ either pure or hybrid lead-acid batteries as their power source. Biliton says in its latest Metals Weekly.

It points out that a combination of environmental measures and competition from other metals and materials has cut lead demand in most of its other end uses, in some cases significantly. For example, in 1993 the weight of lead used as

a petrol additive was only 20 per cent of that used in 1979.

"The good news for lead is that in the majority of these and uses the scope for further decline is probably limited," Biliton adds.

Meanwhile, demand from the battery sector in all geographic

areas has increased, particularly in Asia where it doubled between 1983 and 1993. Biliton suggests vehicle ownership will continue to grow in the developing countries where most of the world's population resides. It asserts: "The world's vehicle population will continue its inexorable rise and demand for replacement batteries will increasingly underpin lead consumption."

LEAD STOCKS (in thousands of tonnes)	1994	1995
Aluminium alloy	27,575	1,122,925
Copper	200	26,640
Lead	4,450	22,575
Nickel	275	297,000
Steel	1,590	115,840
Zinc	4,850	1,000,175
Other	520	20,590

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Freightplus Metal Trading)

ALUMINIUM, 99.7% PURETY (\$ per tonne)

	Close	Previous
1800-1810	1800-1810	1800-1810
1810-1820	1810-1820	1810-1820
1820-1830	1820-1830	1820-1830
1830-1840	1830-1840	1830-1840
1840-1850	1840-1850	1840-1850
1850-1860	1850-1860	1850-1860
1860-1870	1860-1870	1860-1870
1870-1880	1870-1880	1870-1880
1880-1890	1880-1890	1880-1890
1890-1900	1890-1900	1890-1900
1900-1910	1900-1910	1900-1910
1910-1920	1910-1920	1910-1920
1920-1930	1920-1930	1920-1930
1930-1940	1930-1940	1930-1940
1940-1950	1940-1950	1940-1950
1950-1960	1950-1960	1950-1960
1960-1970	1960-1970	1960-1970
1970-1980	1970-1980	1970-1980
1980-1990	1980-1990	1980-1990
1990-2000	1990-2000	1990-2000
2000-2010	2000-2010	2000-2010
2010-2020	2010-2020	2010-2020
2020-2030	2020-2030	2020-2030
2030-2040	2030-2040	2030-2040
2040-2050	2040-2050	2040-2050
2050-2060	2050-2060	2050-2060
2060-2070	2060-2070	2060-2070
2070-2080	2070-2080	2070-2080
2080-2090	2080-2090	2080-2090
2090-2100	2090-2100	2090-2100
2100-2110	2100-2110	2100-2110
2110-2120	2110-2120	2110-2120
2120-2130	2120-2130	2120-2130
2130-2140	2130-2140	2130-2140
2140-2150	2140-2150	2140-2150
2150-2160	2150-2160	2150-2160
2160-2170	2160-2170	2160-2170
2170-2180	2170-2180	2170-2180
2180-2190	2180-2190	2180-2190
2190-2200	2190-2200	2190-2200
2200-2210	2200-2210	2200-2210
2210-2220	2210-2220	2210-2220
2220-2230	2220-2230	2220-2230
2230-2240	2230-2240	2230-2240
2240-2250	2240-2250	2240-2250
2250-2260	2250-2260	2250-2260
2260-2270	2260-2270	2260-2270
2270-2280	2270-2280	2270-2280
2280-2290	2280-2290	2280-2290
2290-2300	2290-2300	2290-2300
2300-2310	2300-2310	2300-2310
2310-2320	2310-2320	2310-2320
2320-2330	2320-2330	2320-2330
2330-2340	2330-2340	2330-2340
2340-2350	2340-2350	2340-2350
2350-2360	2350-2360	2350-2360
2360-2370	2360-2370	2360-2370
2370-2380	2370-2380	2370-2380
2380-2390	2380-2390	2380-2390
2390-2400	2390-2400	2390-2400
2400-2410	2400-2410	2400-2410
2410-2420	2410-2420	2410-2420
2420-2430	2420-2430	2420-2430
2430-2440	2430-2440	2430-2440
2440-2450	2440-2450	2440-2450
2450-2460	2450-2460	2450-2460
2460-2470	2460-2470	2460-2470
2470-2480	2470-2480	2470-2480
2480-2490	2480-2490	2480-2490
2490-2500	2490-2500	2490-2500
2500-2510	2500-2510	2500-2510
2510-2520	2510-2520	2510-2520
2520-2530	2520-2530	2520-2530
2530-2540	2530-2540	2530-2540
2540-2550	2540-2550	2540-2550
2550-2560	2550-2560	2550-2560
2560-2570	2560-2570	2560-2570
2570-2580	2570-2580	2570-2580
2580-2590	2580-2590	2580-2590
2590-2600	2590-2600	2590-2600
2600-2610	2600-2610	2600-2610
2610-2620	2610-2620	2610-2620
2620-2630	2620-2630	2620-2630
2630-2640	2630-2640	2630-2640
2640-2650	2640-2650	2640-2650
2650-2660	2650-2660	2650-2660
2660-2670	2660-2670	2660-2670
2670-2680	2670-2680	2670-2680
2680-2690	2680-2690	2680-2690
2690-2700	2690-2700	2690-2700
2700-2710	2700-2710	2700-2710
2710-2720	2710-2720	2710-2720
2720-2730	2720-2730	2720-2730
2730-2740	2730-2740	2730-2740
2740-2750	2740-2750	2740-2750
2750-2760	2750-2760	2750-2760
2760-2770	2760-2770	2760-2770
2770-2780	2770-2780	2770-2780
2780-2790	2780-2790	2780-2790
2790-2800	2790-2800	2790-2800
2800-2810	2800-2810	2800-2810
2810-2820	2810-2820	2810-2820
2820-2830	2820-2830	2820-2830
2830-2840	2830-2840	2830-2840
2840-2850	2840-2850	2840-2850
2850-2860	2850-2860	2850-2860
2860-2870	2860-2870	2860-2870
2870-2880	2870-2880	2870-2880
2880-2890	2880-2890	2880-2890
2890-2900	2890-2900	2890-2900
2900-2910	2900-2910	2900-2910
2910-2920	2910-2920	2910-2920
2920-2930	2920-2930	2920-2930
2930-2940	2930-2940	2930-2940
2940-2950	2940-2950	2940-2950
2950-2960	2950-2960	2950-2960
2960-2970	2960-2970	2960-2970
2970-2980	2970-2980	2970-2980
2980-2990	2980-2990	2980-2990
2990-3000	2990-3000	2990-3000
3000-3010	3000-3010	3000-3010
3010-3020	3010-3020	3010-3020
3020-3030	3020-3030	3020-3030
3030-3040	3030-3040	3030-3040
3040-3050	3040-3050	3040-3050
3050-3060	3050-3060	3050-3060
3060-3070	3060-3070	3060-3070
3070-3080	3070-3080	3070-3080
3080-3090	3080-3090	3080-3090
3090-3100	3090-3100	3090-3100
3100-3110	3100-3110	3100-3110
3110-3120	3110-3120	3110-3120
3120-3130	3120-3130	3120-3130
3130-3140	3130-3140	3130-3140
3140-3150	3140-3150	3140-3150
3150-3160	3150-3160	3150-3160
3160-3170	3160-3170	3160-3170
3170-3180	3170-3180	3170-3180
3180-3190	3180-3190	3180-3190
3190-3200	3190-3200	3190-3200
3200-3210	3200-3210	3200-3210
3210-3220	3210-3220	3210-3220
3220-3230	3220-3230	3220-3230
3230-3240	3230-3240	3230-3240
3240-3250	3240-3250	3240-3250
3250-3260	3250	

INTERNATIONAL CAPITAL MARKETS

Treasuries retreat after early strength

By Lisa Branstetter in New York and Martin Brice in London

US Treasury prices opened strongly yesterday morning after figures on producer prices came in much lower than most economists had expected.

Later, however, prices retreated almost to their levels of late Monday amid signs that inflation might not be as tame as it had seemed.

Near midday, the benchmark 30-year Treasury yield was at 10.25% to yield 7.93% per cent and the two-year note was unchanged at 9.9%, yielding 6.54% per cent.

A report from the Labor Department showed the overall producer price index unchanged from February to March, with the core index - which excludes the volatile food and energy components - up just 0.1 per cent. Economists had forecast an increase of 0.2 per cent overall and 0.3 per cent in the core index.

The report helped allay investor fears that inflationary pressures seen at intermediate stages of the production cycle would emerge in higher prices for finished goods. Most economists attributed the weaker than expected price figures to steady unit labour costs.

Mr David Bloom of James Capel warned against taking too optimistic a view of the figures, however, as labour costs would probably rise, he said, lifting final prices with them.

Euphoria among bond traders quickly vanished after the Federal Reserve Bank of Richmond released the results of a survey of regional businesses showing they saw price pressures that would contribute to future price increases.

A weakening of the dollar also contributed to the retreat in prices. The US currency began the morning stronger against the yen and the D-Mark, but slipped back later in the morning.

Near midday, the dollar was trading at \$83.73 and DM1.4030 against \$83.90 and DM1.4100 late on Monday.

German government bonds drifted in what one analyst called "dull and lacklustre" trading yesterday. Volumes were low in the run-up to the Easter holidays.

GOVERNMENT BONDS

Bunds opened softer following reports that six leading economic institutes had left their growth forecasts unrevised. However, their downward revision of German inflation forecasts, combined with support at the 82.00 level, lifted the market but Treasury weakness pulled Bunds down.

There was no recovery from that low, as many traders are said to be long on Bunds and

are unwilling to go into the Easter holiday exposed to a shift in the market, which might come from the release in the US of retail price data on Thursday and March industrial production on Friday.

On the 10-year 10-year futures contract was around 92.07 in late trading, down 0.20. Support is seen at the 92.03 level.

Today's focus is likely to be the Bundesbank's repo operation. Yamaichi expects the repo rate to remain unchanged at 4.5 per cent, while a survey by MMS of bond traders shows they believe the Bundesbank will easily be able to hold the minimum rate below 4.51 per cent.

UK government bonds outperformed Bunds, with prices lifted in thin volume by the CBI distributive trades survey, which pointed to weakness in the UK consumer sector.

Mr Michael Saunders at Salo-

mon Brothers said: "Wholesalers are less gloomy and still report sales up year-on-year. Nevertheless, the previous acceleration in wholesalers' turnover has ended and the balances for sales and orders have levelled off."

The decline in Treasuries pulled the market off its highs and on the 10-year 10-year futures contract was around 103.11 in late trading, up 0.02.

The spread of the 10-year benchmark gilt over Bunds was around 147 basis points in late trading, tightening from 151 points the day before.

Italian government bonds were hit by lira weakness and bond declines, in thin volume ahead of the Easter holiday.

On the 10-year 10-year futures contract fell to around 94.09 in late trading, down 0.36. Support is seen at 93.85. The spread of the benchmark bond over Bunds was 629 basis points.

Lisbon to set Portugal Telecom price floor

By Antonia Sharpe

The Portuguese government is due to discuss on April 23 the pricing for its partial privatisation of Portugal Telecom. It is expected to establish a floor below which it would not be prepared to sell the shares.

The government plans to sell between 25 and 30 per cent of Portugal Telecom, which was created last June from the merger of three state-run telecom companies.

The market expects the initial public offering to raise between \$700m and \$1.2bn, depending on market conditions. Placement is expected to be divided equally between domestic and international investors.

Sentiment in the international primary equity market has been severely depressed in recent months, prompting several offerings to be scaled down in size and pricing, or even withdrawn.

However, bankers believe that Portugal Telecom will be well received in the international arena, provided it is realistically priced.

The three banks arranging the offer - Merrill Lynch, UBS and S.G. Warburg - are expected to release their research on Portugal Telecom today as part of a pre-marketing phase which should continue until the end of next month.

At the beginning of May the prospectus is scheduled to be published and Portugal Telecom will start a series of investor roadshows in various financial centres.

The book-building process will also begin at this time, with the aim of finding a price above the floor set by the government.

Pricing and allocation should take place towards the end of May and the shares should start trading on June 6.

Leeds & Holbeck cuts costs with £230m facility

By Martin Brice

Leeds & Holbeck Building Society, the UK's 17th largest with assets of £2.54bn, has added its name to the growing list of building societies which have slashed the cost of raising money with a syndicated loan.

It has borrowed £230m at a margin over the London interbank offered rate (Libor) of 11.50 per cent, more than half that of the loan being replaced.

SYNDICATED LOANS

The revolving credit facility has an average margin during the seven-year life of the loan of 15.9 basis points, and an average commitment fee of 9 basis points.

The syndication, arranged by Lloyds Bank Capital Markets Group and Westdeutsche Landesbank Wiesbaden, is expected to raise £170m, yet attracted offers of £200m from 24 international banks, mostly European and Asian.

International banks are extremely keen to lend to UK building societies as they are seen as a good credit risk and the loans are 20 per cent weighted for capital adequacy purposes, which means banks need set aside capital amounting to only 20 per cent of the loan, whereas loans for companies are 100 per cent weighted.

UK building societies are seeing very little demand for their main business, which is consumer loans on residential properties, yet they have become enthusiastic users of international credits because they can refinance existing loans at cheaper rates.

The Leeds & Holbeck deal replaces a five-year loan with a margin of 35 basis points over Libor.

Mr Christoph Weaver of

WestLB said: "Building societies are coming to the loan market because they can slash their costs by about half. Their costs can also get longer maturities than before."

Other building societies which have recently taken on international credits include West Bromwich, Skipton, Alliance & Leicester, Skipton, Britannia, Birmingham Midshires and Northern Rock.

A £300m loan for Woolwich Building Society arranged by J.P. Morgan and WestLB was oversubscribed, and a £175m loan for Coventry Building Society arranged by J.P. Morgan is now in the market.

The loan for the Coventry building society, the 16th largest in terms of assets, is in two parts. The £100m part is for five years at a margin of 37.5 basis points over Libor, and the £75m part is for seven years at a margin of 20 basis points over Libor.

Competition among banks has also slashed margins for sovereign borrowers. Yesterday it was announced that a syndicate of banks to lend £500m to Italy was complete.

The \$6bn international credit for Canada has been oversubscribed, with banks vying to underwrite a total of \$6.2bn.

Banks are also fighting to lead to high-quality corporate borrowers, and the latest to take advantage of this is Incentive, the Swedish industrial concern controlled by the Walenberg family.

It has asked Deutsche Bank and Enskilda to arrange a seven-year multi-currency facility at 20 basis points over Libor for the first four years, rising to 25 points over for the final three years. This is around half the price it paid to raise the same amount last June, when it was charged 50 basis points over Libor for a five-year loan.

Warburg brings sterling deal for Slough Estates

By Antonia Sharpe

S.G. Warburg yesterday showed that it is still a force to be reckoned with in the eurosterling market when it served up a £100m offering of long-dated eurobonds for Slough Estates, the UK's fifth largest property company.

INTERNATIONAL BONDS

In January, Warburg announced that it was withdrawing from most areas of the eurobond market but that it would continue to issue sterling-denominated bonds with maturities of more than 10 years on behalf of its UK clients.

Many of its competitors interpreted the move as a way for Warburg to make a graceful but total exit from the market,

so yesterday's deal took them by surprise. The fact that Warburg also best Slough's relationship banks (NatWest and BZW) were relegated to being co-lead (leads) gave further weight to its commitment.

Slough's offering of eurobonds due 2017 injected badly-needed supply to the long end of the eurosterling market. Warburg said it was the first since British Land's £150m offering of long-dated eurobonds in November 1993.

There has also been little issuance of long-dated gilts, which has caused an inversion in the gilt yield curve. This means that yields on long-dated issues are lower than on those with maturities of less than 10 years. It is far more usual for a yield curve to be sloping upwards.

Warburg said Slough had thought yields at the long end would be low but that in history,

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book number	Notes	
PEWCO (Treasury/US)	75	(4)	100.00	May 1998	-	-	IBJ Asia/Soc. Sec. Mkt. Asia		
STERLING	100	10.30	96.355R	May 2017	0.925R	+160 (95%+17)	SG Warburg Securities		
Slough Estates (UK)	100	10.30	96.355R	May 2017	0.925R	+160 (95%+17)	SG Warburg Securities		
D-MARK	200	7.25	102.225	May 2002	8.75	-	Westdeutsche Landesbank		
Slough Estates (UK)	200	7.25	102.225	May 2002	8.75	-	Westdeutsche Landesbank		
SWISS FRANC	150	5.00	103.375	May 2003	2.825	-	Zurich Kantonalbank		
Slough Estates (UK)	150	5.00	103.375	May 2003	2.825	-	Zurich Kantonalbank		
LUXEMBOURG FRANC	2bn	7.00	102.50	Dec 2002	2.00	-	BGL		
Slough Estates (UK)	2bn	7.00	102.50	Dec 2002	2.00	-	BGL		
Slough Estates (UK)	2bn	7.00	102.50	Dec 2002	2.00	-	BGL		
Slough Estates (UK)	2bn	7.00	102.50	Dec 2002	2.00	-	BGL		

First terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ^a Floating-rate note. ^b Fixed rate-offer price; fees shown at net-off level. ^c Callable and puttable in 2 yrs. ^d 5-yr Libor +45bp. ^e Spans call option. ^f Short first coupon. ^g Redemption price: 155.80%.

cally attractive levels and it wanted to lock in long-term funding to extend the average maturity of its debt.

The bonds, which also have a registered option so they are eligible for corporate bond Peps, were priced to yield 160 basis points over the 8% per

cent gilt due 2017, which yielded 8.34 per cent at the time of pricing.

Some syndicate managers thought the deal was too cheaply priced while others considered it to be expensive, which suggested that the pricing was about right.

FT-Actuaries Fixed Interest Indices

%	Apr 10	Mar 10	Feb 10	Jan 10	Dec 09	Nov 09	Oct 09	Sep 09	Aug 09	Jul 09	Jun 09	May 09	Apr 09	Mar 09	Feb 09	Jan 09	Dec 08	Nov 08	Oct 08	Sep 08	Aug 08	Jul 08	Jun 08	May 08	Apr 08	Mar 08	Feb 08	Jan 08	Dec 07	Nov 07	Oct 07	Sep 07	Aug 07	Jul 07	Jun 07	May 07	Apr 07	Mar 07	Feb 07	Jan 07	Dec 06	Nov 06	Oct 06	Sep 06	Aug 06	Jul 06	Jun 06	May 06	Apr 06	Mar 06	Feb 06	Jan 06	Dec 05	Nov 05	Oct 05	Sep 05	Aug 05	Jul 05	Jun 05	May 05	Apr 05	Mar 05	Feb 05	Jan 05	Dec 04	Nov 04	Oct 04	Sep 04	Aug 04	Jul 04	Jun 04	May 04	Apr 04	Mar 04	Feb 04	Jan 04	Dec 03	Nov 03	Oct 03	Sep 03	Aug 03	Jul 03	Jun 03	May 03	Apr 03	Mar 03	Feb 03	Jan 03	Dec 02	Nov 02	Oct 02	Sep 02	Aug 02	Jul 02	Jun 02	May 02	Apr 02	Mar 02	Feb 02	Jan 02	Dec 01	Nov 01	Oct 01	Sep 01	Aug 01	Jul 01	Jun 01	May 01	Apr 01	Mar 01	Feb 01	Jan 01	Dec 00	Nov 00	Oct 00	Sep 00	Aug 00	Jul 00	Jun 00	May 00	Apr 00	Mar 00	Feb 00	Jan 00	Dec 99	Nov 99	Oct 99	Sep 99	Aug 99	Jul 99	Jun 99	May 99	Apr 99	Mar 99	Feb 99	Jan 99	Dec 98	Nov 98	Oct 98	Sep 98	Aug 98	Jul 98	Jun 98	May 98	Apr 98	Mar 98	Feb 98	Jan 98	Dec 97	Nov 97	Oct 97	Sep 97	Aug 97	Jul 97	Jun 97	May 97	Apr 97	Mar 97	Feb 97	Jan 97	Dec 96	Nov 96	Oct 96	Sep 96	Aug 96	Jul 96	Jun 96	May 96	Apr 96	Mar 96	Feb 96	Jan 96	Dec 95	Nov 95	Oct 95	Sep 95	Aug 95	Jul 95	Jun 95	May 95	Apr 95	Mar 95	Feb 95	Jan 95	Dec 94	Nov 94	Oct 94	Sep 94	Aug 94	Jul 94	Jun 94	May 94	Apr 94	Mar 94	Feb 94	Jan 94	Dec 93	Nov 93	Oct 93	Sep 93	Aug 93	Jul 93	Jun 93	May 93	Apr 93	Mar 93	Feb 93	Jan 93	Dec 92	Nov 92	Oct 92	Sep 92	Aug 92	Jul 92	Jun 92	May 92	Apr 92	Mar 92	Feb 92	Jan 92	Dec 91	Nov 91	Oct 91	Sep 91	Aug 91	Jul 91	Jun 91	May 91	Apr 91	Mar 91	Feb 91	Jan 91	Dec 90	Nov 90	Oct 90	Sep 90	Aug 90	Jul 90	Jun 90	May 90	Apr 90	Mar 90	Feb 90	Jan 90	Dec 89	Nov 89	Oct 89	Sep 89	Aug 89	Jul 89	Jun 89	May 89	Apr 89	Mar 89	Feb 89	Jan 89	Dec 88	Nov 88	Oct 88	Sep 88	Aug 88	Jul 88	Jun 88	May 88	Apr 88	Mar 88	Feb 88	Jan 88	Dec 87	Nov 87	Oct 87	Sep 87	Aug 87	Jul 87	Jun 87	May 87	Apr 87	Mar 87	Feb 87	Jan 87	Dec 86	Nov 86	Oct 86	Sep 86	Aug 86	Jul 86	Jun 86	May 86	Apr 86	Mar 86	Feb 86	Jan 86	Dec 85	Nov 85	Oct 85	Sep 85	Aug 85	Jul 85	Jun 85	May 85	Apr 85	Mar 85	Feb 85	Jan 85	Dec 84	Nov 84	Oct 84	Sep 84	Aug 84	Jul 84	Jun 84	May 84	Apr 84	Mar 84	Feb 84	Jan 84	Dec 83	Nov 83	Oct 83	Sep 83	Aug 83	Jul 83	Jun 83	May 83	Apr 83	Mar 83	Feb 83	Jan 83	Dec 82	Nov 82	Oct 82	Sep 82	Aug 82	Jul 82	Jun 82	May 82	Apr 82	Mar 82	Feb 82	Jan 82	Dec 81	Nov 81	Oct 81	Sep 81	Aug 81	Jul 81	Jun 81	May 81	Apr 81	Mar 81	Feb 81	Jan 81	Dec 80	Nov 80	Oct 80	Sep 80	Aug 80	Jul 80	Jun 80	May 80	Apr 80	Mar 80	Feb 80	Jan 80	Dec 79	Nov 79	Oct 79	Sep 79	Aug 79	Jul 79	Jun 79	May 79	Apr 79	Mar 79	Feb 79	Jan 79	Dec 78	Nov 78	Oct 78	Sep 78	Aug 78	Jul 78	Jun 78	May 78	Apr 78	Mar 78	Feb 78	Jan 78	Dec 77	Nov 77	Oct 77	Sep 77	Aug 77	Jul 77	Jun 77	May 77	Apr 77	Mar 77	Feb 77	Jan 77	Dec 76	Nov 76	Oct 76	Sep 76	Aug 76	Jul 76	Jun 76	May 76	Apr 76	Mar 76	Feb 76	Jan 76	Dec 75	Nov 75	Oct 75	Sep 75	Aug 75	Jul 75	Jun 75	May 75	Apr 75	Mar 75	Feb 75	Jan 75	Dec 74	Nov 74	Oct 74	Sep 74	Aug 74	Jul 74	Jun 74	May 74	Apr 74	Mar 74	Feb 74	Jan 74	Dec 73	Nov 73	Oct 73	Sep 73	Aug 73	Jul 73	Jun 73	May 73	Apr 73	Mar 73	Feb 73	Jan 73	Dec 72	Nov 72	Oct 72	Sep 72	Aug 72	Jul 72	Jun 72	May 72	Apr 72	Mar 72	Feb 72	Jan 72	Dec 71	Nov 71	Oct 71	Sep 71	Aug 71	Jul 71	Jun 71	May 71	Apr 71	Mar 71	Feb 71	Jan 71	Dec 70	Nov 70	Oct 70	Sep 70	Aug 70	Jul 70	Jun 70	May 70	Apr 70	Mar 70	Feb 70	Jan 70	Dec 69	Nov 69	Oct 69	Sep 69	Aug 69	Jul 69	Jun 69	May 69	Apr 69	Mar 69	Feb 69	Jan 69	Dec 68	Nov 68	Oct 68	Sep 68	Aug 68	Jul 68	Jun 68	May 68	Apr 68	Mar 68	Feb 68	Jan 68	Dec 67	Nov 67	Oct 67	Sep 67	Aug 67	Jul 67	Jun 67	May 67	Apr 67	Mar 67	Feb 67	Jan 67	Dec 66	Nov 66	Oct 66	Sep 66	Aug 66	Jul 66	Jun 66	May 66	Apr 66	Mar 66	Feb 66	Jan 66	Dec 65	Nov 65	Oct 65	Sep 65	Aug 65	Jul 65	Jun 65	May 65	Apr 65	Mar 65	Feb 65	Jan 65	Dec 64	Nov 64	Oct 64	Sep 64	Aug 64	Jul 64	Jun 64	May 64	Apr 64	Mar 64	Feb 64	Jan 64	Dec 63	Nov 63	Oct 63	Sep 63	Aug 63	Jul 63	Jun 63	May 63	Apr 63	Mar 63	Feb 63	Jan 63	Dec 62	Nov 62	Oct 62	Sep 62	Aug 62	Jul 62	Jun 62	May 62	Apr 62	Mar 62	Feb 62	Jan 62	Dec 61	Nov 61	Oct 61	Sep 61	Aug 61	Jul 61	Jun 61	May 61	Apr 61	Mar 61	Feb 61	Jan 61	Dec 60	Nov 60	Oct 60	Sep 60	Aug 60	Jul 60	Jun 60	May 60	Apr 60	Mar 60	Feb 60	Jan 60	Dec 59	Nov 59	Oct 59	Sep 59	Aug 59	Jul 59	Jun 59	May 59	Apr 59	Mar 59	Feb 59	Jan 59	Dec 58	Nov 58	Oct 58	Sep 58	Aug 58	Jul 58	Jun 58	May 58	Apr 58	Mar 58	Feb 58	Jan 58	Dec 57	Nov 57	Oct 57	Sep 57	Aug 57	Jul 57	Jun 57	May 57	Apr 57	Mar 57	Feb 57	Jan 57	Dec 56	Nov 56	Oct 56	Sep 56	Aug 56	Jul 56	Jun 56	May 56	Apr 56	Mar 56	Feb 56	Jan 56	Dec 55	Nov 55	Oct 55	Sep 55	Aug 55	Jul 55	Jun 55	May 55	Apr 55	Mar 55	Feb 55	Jan 55	Dec 54	Nov 54	Oct 54	Sep 54	Aug 54	Jul 54	Jun 54	May 54	Apr 54	Mar 54	Feb 54	Jan 54	Dec 53	Nov 53	Oct 53	Sep 53	Aug 53	Jul 53	Jun 53	May 53	Apr 53	Mar 53	Feb 53	Jan 53	Dec 52	Nov 52	Oct 52	Sep 52	Aug 52	Jul 52	Jun 52	May 52	Apr 52	Mar 52	Feb 52	Jan 52	Dec 51	Nov 51	Oct 51	Sep 51	Aug 51	Jul 51	Jun 51	May 51	Apr 51	Mar 51	Feb 51	Jan 51	Dec 50	Nov 50	Oct 50	Sep 50	Aug 50	Jul 50	Jun 50	May 50	Apr 50	Mar 50	Feb 50	Jan 50	Dec 49	Nov 49	Oct 49	Sep 49	Aug 49	Jul 49	Jun 49	May 49	Apr 49	Mar 49	Feb 49	Jan 49	Dec 48	Nov 48	Oct 48	Sep 48	Aug 48	Jul 48	Jun 48	May 48	Apr 48	Mar 48	Feb 48	Jan 48	Dec 47	Nov 47	Oct 47	Sep 47	Aug 47	Jul 47	Jun 47	May 47	Apr 47	Mar 47	Feb 47	Jan 47	Dec 46	Nov 46	Oct 46	Sep 46	Aug 46	Jul 46	Jun 46	May 46	Apr 46	Mar 46	Feb 46	Jan 46	Dec 45	Nov 45	Oct 45	Sep 45	Aug 45	Jul 45	Jun 45	May 45	Apr 45	Mar 45	Feb 45	Jan 45	Dec 44	Nov 44	Oct 44	Sep 44	Aug 44	Jul 44	Jun 44	May 44	Apr 44	Mar 44	Feb 44	Jan 44	Dec 43	Nov 43	Oct 43	Sep 43	Aug 43	Jul 43	Jun 43	May 43	Apr 43	Mar 43	Feb 43	Jan 43	Dec 42	Nov 42	Oct 42	Sep 42	Aug 42	Jul 42	Jun 42	May 42	Apr 42	Mar 42	Feb 42	Jan 42	Dec 41	Nov 41	Oct 41	Sep 41	Aug 41	Jul 41	Jun 41	May 41	Apr 41	Mar 41	Feb 41	Jan 41	Dec 40	Nov 40	Oct 40	Sep 40	Aug 40	Jul 40	Jun 40	May 40	Apr 40	Mar 40	Feb 40	Jan 40	Dec 39	Nov 39	Oct 39	Sep 39	Aug 39	Jul 39	Jun 39	May 39	Apr 39	Mar 39	Feb 39	Jan 39	Dec 38	Nov 38	Oct 38	Sep 38	Aug 38	Jul 38	Jun 38	May 38	Apr 38	Mar 38	Feb 38	Jan 38	Dec 37	Nov 37	Oct 37	Sep 37	Aug 37	Jul 37	Jun 37	May 37	Apr 37	Mar 37	Feb 37	Jan 37	Dec 36	Nov 36	Oct 36	Sep 36	Aug 36	Jul 36	Jun 36	May 36	Apr 36	Mar 36	Feb 36	Jan 36	Dec 35	Nov 35	Oct 35	Sep 35	Aug 35	Jul 35	Jun 35	May 35	Apr 35	Mar 35	Feb 35	Jan 35	Dec 34	Nov 34	Oct 34	Sep 34	Aug 34	Jul 34	Jun 34	May 34	Apr 34	Mar 34	Feb 34	Jan 34	Dec 33	Nov 33	Oct 33	Sep 33	Aug 33	Jul 33	Jun 33	May 33	Apr 33	Mar 33	Feb 33	Jan 33	Dec 32	Nov 32	Oct 32	Sep 32	Aug 32	Jul 32	Jun 32	May 32	Apr 32	Mar 32	Feb 32	Jan 32	Dec 31	Nov 31	Oct 31	Sep 31	Aug 31	Jul 31	Jun 31	May 31	Apr 31	Mar 31	Feb 31	Jan 31	Dec 30	Nov 30	Oct 30	Sep 30	Aug 30	Jul 30	Jun 30	May 30	Apr 30	Mar 30	Feb 30	Jan 30	Dec 29	Nov 29	Oct 29	Sep 29	Aug 29	Jul 29	Jun 29	May 29	Apr 29	Mar 29	Feb 29	Jan 29	Dec 28	Nov 28	Oct 28	Sep 28	Aug 28	Jul 28	Jun 28	May 28	Apr 28	Mar 28	Feb 28	Jan 28	Dec 27	Nov 27	Oct 27	Sep 27	Aug 27	Jul 27	Jun 27	May 27	Apr 27	Mar 27	Feb 27	Jan 27	Dec 26	Nov 26	Oct 26	Sep 26	Aug 26	Jul 26	Jun 26	May 26	Apr 26	Mar 26	Feb 26	Jan 26	Dec 25	Nov 25	Oct 25	Sep 25	Aug 25	Jul 25	Jun 25	May 25	Apr 25	Mar 25	Feb 25	Jan 25	Dec 24	Nov 24	Oct 24	Sep 24	Aug 24	Jul 24	Jun 24	May 24	Apr 24	Mar 24	Feb 24	Jan 24	Dec 23	Nov 23	Oct 23	Sep 23	Aug 23	Jul 23	Jun 23	May 23	Apr 23	Mar 23	Feb 23	Jan 23	Dec 22	Nov 22	Oct 22	Sep 22	Aug 22	Jul 22	Jun 22	May 22	Apr 22	Mar 22	Feb 22	Jan 22	Dec 21	Nov 21	Oct 21	Sep 21	Aug 21	Jul 21	Jun 21	May 21	Apr 21	Mar 21	Feb 21	Jan 21	Dec 20	Nov 20	Oct 20	Sep 20	Aug 20	Jul 20	Jun 20	May 20	Apr 20	Mar 20	Feb 20	Jan 20	Dec 19	Nov 19	Oct 19	Sep 19	Aug 19	Jul 19	Jun 19	May 19	Apr 19	Mar 19	Feb 19	Jan 19	Dec 18	Nov 18	Oct 18	Sep 18	Aug 18	Jul 18	Jun 18	May 18	Apr 18	Mar 18	Feb 18	Jan 18	Dec 17	Nov 17	Oct 17	Sep 17	Aug 17	Jul 17	Jun 17	May 17	Apr 17	Mar 17	Feb 17	Jan 17	Dec 16	Nov 16	Oct 16	Sep 16	Aug 16	Jul 16	Jun 16	May 16	Apr 16	Mar 16	Feb 16	Jan 16	Dec 15	Nov 15	Oct 15	Sep 15	Aug 15	Jul 15	Jun 15	May 15	Apr 15	Mar 15	Feb 15	Jan 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MARKETS REPORT

Dollar steady as market waits for Japan package

The dollar's rally off recent lows last momentum yesterday amid fairly thin pre-Easter trading conditions, writes Philip Gough.

The currency failed to maintain its moves above DM1.41 and ¥104. It started to lose ground after the release of soft US producer inflation data, closing in London at DM1.401 and ¥103.635. From DM1.405 and ¥103.685 on Monday.

Trading was thin, with evidence of investors squaring positions ahead of the Easter break. Markets are also waiting to see what sort of economic stimulus package the Japanese government produces on Friday.

The logic is that any measures which stimulate consumption will act to suck in imports, thereby reducing the large current account surplus which has underpinned the yen.

In Europe, Sweden was a focus of attention. The Swedish crown has rallied sharply after

hitting a low of SEK5.4280 against the D-Mark last week. It closed slightly weaker, at SEK5.2337 from SEK5.219.

Dollar sentiment was not helped by the Swedish central bank's announcement that it was trading 20 per cent of its dollar reserves (and 20 per cent of its gold reserves) for Ecu under an agreement with the European Monetary Institute.

Diversification of central bank reserves out of the dollar has been cited recently as a factor in the currency's weakness.

Sterling had a steady day against the dollar, finishing at \$1.5982, but lost 1/4 pence against the D-Mark in afternoon trade to close at DM2.2362.

It was another one of those

As posted in New York	1.5982	1.5982
1m	1.5981	1.5984
3m	1.5984	1.5984
1y	1.5984	1.5983

days where the comments from the sidelines were arguably more interesting than the events on the pitch. The frequency of public comment from senior bankers and politicians would suggest they remain nervous about the state of the markets.

Leading the way was Mr Hans Tietmeyer, the Bundesbank president, who told a Rome audience that the D-Mark was rather overvalued, and the lira undervalued. He also said there was "no doubt" that the strength of the D-Mark had affected the competitive-ness of the German economy.

In fact the lira has escaped the worst of the recent currency ructions. Since hitting a historic low of L1.275 against the D-Mark on March 12, it has steadily recovered, although it finished slightly weaker yesterday at L1.231 from L1.234.

In France, meanwhile, Mr Jean-Claude Trichet, governor of the central bank, reaffirmed his commitment to a stable

Japan

Trade-weighted Index



Source: Bank of England

franc against most credible ERM currencies. As with the lira, the franc has rallied of its recent lows. It closed yesterday at FF3.486 against the D-Mark, well shy of the historic low of FF3.580 reached on March 8.

So far as the dollar was concerned, some cheer came from the report of Germany's leading economic research institutes, which predicted the dol-

lar recovering back towards DM1.50 by the end of the year.

A sludge of comfort was also provided by Mr Kenneth Clarke, the UK chancellor, who said he did not believe the US was deliberately pushing down the dollar.

The reason why this might be the case was supplied by Mr Ron Brown, the US commerce secretary. He was quoted saying: "We have been told for a long time that changes in the yen-dollar valuations would have a dramatic, positive impact on our (\$600b) trade deficit with Japan. That has not been the case."

Interest rate markets will be able today to savour the spectacle of a variable rate repo in Germany - the first since last July when the repo rate was fixed at 4.85 per cent. It remained there until cut by 35 basis points at the last Bundesbank council meeting.

Market expectations are that the Bundesbank will engineer

the repo such that the rate comes in around 4.5 per cent, despite the fact that call money was trading yesterday at 4.65 per cent. The tighter liquidity conditions do suggest, though, that the rate is unlikely to drop much.

Euro-markets lost ground following the publication of the German institute study which said that the rate of growth in M3 money supply could require higher interest rates. The September contract finished at 94.90, from 94.99.

The Bank of England cleared a \$550m shortage at established rates. Three month money, at 6 1/2 per cent, remains well below the 6 1/2 per cent base rate.

WORLD INTEREST RATES

MONEY RATES

April 11	Over night	One month	Three months	Six months	One year	Long term	Repo rate
Belgium	5	5	5 1/2	5 1/2	5 1/2	7.40	4.00
France	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00
Germany	4.50	4.50	4.50	4.50	4.50	5.00	4.00
Italy	10 1/2	10 1/2	10 1/2	10 1/2	10 1/2	11 1/2	10.44
Netherlands	4.50	4.50	4.50	4.50	4.50	5.00	4.00
Spain	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00
Sweden	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00
Switzerland	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	6.25	3.00
UK	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00
US	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00
Japan	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	7.40	4.00

LIBOR FT London

Interbank	6m	9m	12m	1y	2y	3y
Interbank	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
US Dollar	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Swiss Franc	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
Japanese Yen	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2

ECU Linked De sold rates: 1m, 6m, 3m, 6m, 9m, 12m, 1y, 2y, 3y, 4y, 5y, 6y, 7y, 8y, 9y, 10y, 11y, 12y, 13y, 14y, 15y, 16y, 17y, 18y, 19y, 20y, 21y, 22y, 23y, 24y, 25y, 26y, 27y, 28y, 29y, 30y, 31y, 32y, 33y, 34y, 35y, 36y, 37y, 38y, 39y, 40y, 41y, 42y, 43y, 44y, 45y, 46y, 47y, 48y, 49y, 50y, 51y, 52y, 53y, 54y, 55y, 56y, 57y, 58y, 59y, 60y, 61y, 62y, 63y, 64y, 65y, 66y, 67y, 68y, 69y, 70y, 71y, 72y, 73y, 74y, 75y, 76y, 77y, 78y, 79y, 80y, 81y, 82y, 83y, 84y, 85y, 86y, 87y, 88y, 89y, 90y, 91y, 92y, 93y, 94y, 95y, 96y, 97y, 98y, 99y, 100y, 101y, 102y, 103y, 104y, 105y, 106y, 107y, 108y, 109y, 110y, 111y, 112y, 113y, 114y, 115y, 116y, 117y, 118y, 119y, 120y, 121y, 122y, 123y, 124y, 125y, 126y, 127y, 128y, 129y, 130y, 131y, 132y, 133y, 134y, 135y, 136y, 137y, 138y, 139y, 140y, 141y, 142y, 143y, 144y, 145y, 146y, 147y, 148y, 149y, 150y, 151y, 152y, 153y, 154y, 155y, 156y, 157y, 158y, 159y, 160y, 161y, 162y, 163y, 164y, 165y, 166y, 167y, 168y, 169y, 170y, 171y, 172y, 173y, 174y, 175y, 176y, 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1006y, 1007y, 1008y, 1009y, 1010y, 1011y, 1012y, 1013y, 1014y, 1015y, 1016y, 1017y, 1018y, 1019y, 1020y, 1021y, 1022y, 1023y, 1024y, 1025y, 1026y, 1027y, 1028y, 1029y, 1030y, 1031y, 1032y, 1033y, 1034y, 1035y, 1036y, 1037y, 1038y, 1039y, 1040y, 1041y, 1042y, 1043y, 1044y, 1045y, 1046y, 1047y, 1048y, 1049y, 1050y, 1051y, 1052y, 1053y, 1054y, 1055y, 1056y, 1057y, 1058y, 1059y, 1060y, 1061y, 1062y, 1063y, 1064y, 1065y, 1066y, 1067y, 1068y, 1069y, 1070y, 1071y, 1072y, 1073y, 1074y, 1075y, 1076y, 1077y, 1078y, 1079y, 1080y, 1081y, 1082y, 1083y, 1084y, 1085y, 1086y, 1087y, 1088y, 1089y, 1090y, 1091y, 1092y, 1093y, 1094y, 1095y, 1096y, 1097y, 1098y, 1099y, 1100y, 1101y, 1102y, 1103y, 1104y, 1105y, 1106y, 1107y, 1108y, 1109y, 1110y, 1111y, 1112y, 1113y, 1114y, 1115y, 1116y, 1117y, 1118y, 1119y, 1120y, 1121y, 1122y, 1123y, 1124y, 1125y, 1126y, 1127y, 1128y, 1129y, 1130y, 1131y, 1132y, 1133y, 1134y, 1135y, 1136y, 1137y, 1138y, 1139y, 1140y, 1141y, 1142y, 1143y, 1144y, 1145y, 1146y, 1147y, 1148y, 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INVESTMENT TRUSTS - Cont.

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4 pm close April 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

NEW YORK STOCK EXCHANGE COMPOSITE PRICES									
Index	Value	Change	High	Low	Open	Close	Volume	Value	Change
Dow Jones Industrial	5,812.12	+1.12	5,812.12	5,812.12	5,812.12	5,812.12	1,234,567	5,812.12	+1.12
S&P 500	425.12	+0.12	425.12	425.12	425.12	425.12	876,543	425.12	+0.12
NASDAQ Composite	1,234.56	+12.34	1,234.56	1,234.56	1,234.56	1,234.56	543,210	1,234.56	+12.34
NYSE Composite	3,456.78	+34.56	3,456.78	3,456.78	3,456.78	3,456.78	210,987	3,456.78	+34.56
AMEX Composite	789.01	+7.89	789.01	789.01	789.01	789.01	12,345	789.01	+7.89
NYSE-100	2,345.67	+23.45	2,345.67	2,345.67	2,345.67	2,345.67	150,000	2,345.67	+23.45
NYSE-200	1,234.56	+12.34	1,234.56	1,234.56	1,234.56	1,234.56	80,000	1,234.56	+12.34
NYSE-300	987.65	+9.87	987.65	987.65	987.65	987.65	60,000	987.65	+9.87
NYSE-400	654.32	+6.54	654.32	654.32	654.32	654.32	40,000	654.32	+6.54
NYSE-500	543.21	+5.43	543.21	543.21	543.21	543.21	30,000	543.21	+5.43
NYSE-600	432.10	+4.32	432.10	432.10	432.10	432.10	20,000	432.10	+4.32
NYSE-700	321.09	+3.21	321.09	321.09	321.09	321.09	10,000	321.09	+3.21
NYSE-800	210.98	+2.10	210.98	210.98	210.98	210.98	5,000	210.98	+2.10
NYSE-900	109.87	+1.09	109.87	109.87	109.87	109.87	2,000	109.87	+1.09
NYSE-1000	98.76	+0.98	98.76	98.76	98.76	98.76	1,000	98.76	+0.98
NYSE-1100	87.65	+0.87	87.65	87.65	87.65	87.65	500	87.65	+0.87
NYSE-1200	76.54	+0.76	76.54	76.54	76.54	76.54	250	76.54	+0.76
NYSE-1300	65.43	+0.65	65.43	65.43	65.43	65.43	125	65.43	+0.65
NYSE-1400	54.32	+0.54	54.32	54.32	54.32	54.32	60	54.32	+0.54
NYSE-1500	43.21	+0.43	43.21	43.21	43.21	43.21	30	43.21	+0.43
NYSE-1600	32.10	+0.32	32.10	32.10	32.10	32.10	15	32.10	+0.32
NYSE-1700	21.09	+0.21	21.09	21.09	21.09	21.09	8	21.09	+0.21
NYSE-1800	10.98	+0.10	10.98	10.98	10.98	10.98	4	10.98	+0.10
NYSE-1900	9.87	+0.09	9.87	9.87	9.87	9.87	2	9.87	+0.09
NYSE-2000	8.76	+0.08	8.76	8.76	8.76	8.76	1	8.76	+0.08
NYSE-2100	7.65	+0.07	7.65	7.65	7.65	7.65	0.5	7.65	+0.07
NYSE-2200	6.54	+0.06	6.54	6.54	6.54	6.54	0.25	6.54	+0.06
NYSE-2300	5.43	+0.05	5.43	5.43	5.43	5.43	0.125	5.43	+0.05
NYSE-2400	4.32	+0.04	4.32	4.32	4.32	4.32	0.06	4.32	+0.04
NYSE-2500	3.21	+0.03	3.21	3.21	3.21	3.21	0.03	3.21	+0.03
NYSE-2600	2.10	+0.02	2.10	2.10	2.10	2.10	0.015	2.10	+0.02
NYSE-2700	1.09	+0.01	1.09	1.09	1.09	1.09	0.008	1.09	+0.01
NYSE-2800	0.98	+0.01	0.98	0.98	0.98	0.98	0.004	0.98	+0.01
NYSE-2900	0.87	+0.01	0.87	0.87	0.87	0.87	0.002	0.87	+0.01
NYSE-3000	0.76	+0.01	0.76	0.76	0.76	0.76	0.001	0.76	+0.01
NYSE-3100	0.65	+0.01	0.65	0.65	0.65	0.65	0.0005	0.65	+0.01
NYSE-3200	0.54	+0.01	0.54	0.54	0.54	0.54	0.00025	0.54	+0.01
NYSE-3300	0.43	+0.01	0.43	0.43	0.43	0.43	0.000125	0.43	+0.01
NYSE-3400	0.32	+0.01	0.32	0.32	0.32	0.32	0.00006	0.32	+0.01
NYSE-3500	0.21	+0.01	0.21	0.21	0.21	0.21	0.00003	0.21	+0.01
NYSE-3600	0.10	+0.01	0.10	0.10	0.10	0.10	0.000015	0.10	+0.01
NYSE-3700	0.09	+0.01	0.09	0.09	0.09	0.09	0.000008	0.09	+0.01
NYSE-3800	0.08	+0.01	0.08	0.08	0.08	0.08	0.000004	0.08	+0.01
NYSE-3900	0.07	+0.01	0.07	0.07	0.07	0.07	0.000002	0.07	+0.01
NYSE-4000	0.06	+0.01	0.06	0.06	0.06	0.06	0.000001	0.06	+0.01
NYSE-4100	0.05	+0.01	0.05	0.05	0.05	0.05	0.0000005	0.05	+0.01
NYSE-4200	0.04	+0.01	0.04	0.04	0.04	0.04	0.00000025	0.04	+0.01
NYSE-4300	0.03	+0.01	0.03	0.03	0.03	0.03	0.000000125	0.03	+0.01
NYSE-4400	0.02	+0.01	0.02	0.02	0.02	0.02	0.00000006	0.02	+0.01
NYSE-4500	0.01	+0.01	0.01	0.01	0.01	0.01	0.00000003	0.01	+0.01
NYSE-4600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000015	0.00	+0.01
NYSE-4700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000008	0.00	+0.01
NYSE-4800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000004	0.00	+0.01
NYSE-4900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000002	0.00	+0.01
NYSE-5000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000001	0.00	+0.01
NYSE-5100	0.00	+0.01	0.00	0.00	0.00	0.00	0.0000000005	0.00	+0.01
NYSE-5200	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000025	0.00	+0.01
NYSE-5300	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000125	0.00	+0.01
NYSE-5400	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000006	0.00	+0.01
NYSE-5500	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000003	0.00	+0.01
NYSE-5600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000015	0.00	+0.01
NYSE-5700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000008	0.00	+0.01
NYSE-5800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000004	0.00	+0.01
NYSE-5900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000002	0.00	+0.01
NYSE-6000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000001	0.00	+0.01
NYSE-6100	0.00	+0.01	0.00	0.00	0.00	0.00	0.0000000000005	0.00	+0.01
NYSE-6200	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000025	0.00	+0.01
NYSE-6300	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000125	0.00	+0.01
NYSE-6400	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000006	0.00	+0.01
NYSE-6500	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000003	0.00	+0.01
NYSE-6600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000015	0.00	+0.01
NYSE-6700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000008	0.00	+0.01
NYSE-6800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000004	0.00	+0.01
NYSE-6900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000002	0.00	+0.01
NYSE-7000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000001	0.00	+0.01
NYSE-7100	0.00	+0.01	0.00	0.00	0.00	0.00	0.0000000000000005	0.00	+0.01
NYSE-7200	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000025	0.00	+0.01
NYSE-7300	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000125	0.00	+0.01
NYSE-7400	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000006	0.00	+0.01
NYSE-7500	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000003	0.00	+0.01
NYSE-7600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000015	0.00	+0.01
NYSE-7700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000008	0.00	+0.01
NYSE-7800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000004	0.00	+0.01
NYSE-7900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000002	0.00	+0.01
NYSE-8000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000001	0.00	+0.01
NYSE-8100	0.00	+0.01	0.00	0.00	0.00	0.00	0.0000000000000000005	0.00	+0.01
NYSE-8200	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000025	0.00	+0.01
NYSE-8300	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000125	0.00	+0.01
NYSE-8400	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000006	0.00	+0.01
NYSE-8500	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000003	0.00	+0.01
NYSE-8600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000015	0.00	+0.01
NYSE-8700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000008	0.00	+0.01
NYSE-8800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000004	0.00	+0.01
NYSE-8900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000002	0.00	+0.01
NYSE-9000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000001	0.00	+0.01
NYSE-9100	0.00	+0.01	0.00	0.00	0.00	0.00	0.0000000000000000000005	0.00	+0.01
NYSE-9200	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000000025	0.00	+0.01
NYSE-9300	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000125	0.00	+0.01
NYSE-9400	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000000006	0.00	+0.01
NYSE-9500	0.00	+0.01	0.00	0.00	0.00	0.00	0.00000000000000000000003	0.00	+0.01
NYSE-9600	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000015	0.00	+0.01
NYSE-9700	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000008	0.00	+0.01
NYSE-9800	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000004	0.00	+0.01
NYSE-9900	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000002	0.00	+0.01
NYSE-10000	0.00	+0.01	0.00	0.00	0.00	0.00	0.000000000000000000000001	0.00	+0.01

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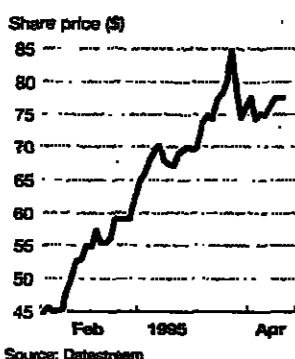
Dow turns weaker on profit-taking

Wall Street

Good news on inflation helped US share prices jump at the opening bell, but could not save off profit-taking that sent them into negative territory by early afternoon, writes Lisa Branstetter in New York.

In the first half-hour of trading the Dow Jones Industrial Average gained more than 18 points before turning negative. By 1 pm the Dow was 9.34 lower at 4,188.81, while the more broadly based Standard & Poor's 500 slipped 1.25 to 505.76. The American Stock Exchange composite was off 1.43 at 468.81 and the Nasdaq composite was up 0.79 at 832.05. NYSE volume was

Micron Technology



Stronger-than-expected earnings reports failed to boost the paper companies, International Paper or Weyerhaeuser. International Paper lost 3% at \$75 in spite of reporting earnings of \$1.95 per share against expectations of \$1.80, and Weyerhaeuser was unchanged at \$40 after reporting per share earnings of \$1 against estimates of 98 cents.

Shares in CBS lost 3.2 per cent or \$2.4 at \$69.45 as investors reacted to news released late on Monday that first quarter earnings were 68 per cent lower than earnings for the same period last year. Morgan Stanley also lowered its rating on the company, based on the network's recent decline in television ratings.

expected figures on orders for chips and an upgrade of the company to "buy" from "neutral" by securities firm Cowen.

The strong book-to-bill ratio by which the computer industry measures demand helped other chip makers to advance in the morning, but by early afternoon, most such gains had turned neutral or negative as investors continued the profit-taking that has gripped much of the technology sector in recent weeks.

Micron Technology, for example, jumped 1% at the opening but by 1 pm was unchanged at \$77. Texas Instruments rose 1% before turning down 1% by early afternoon.

Kemper jumped more than 10 per cent rising 84% at \$46 on news that the insurance and financial services company had agreed to be acquired by the Swiss insurance company Zurich Insurance Group.

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Canada

Toronto was higher at midday as heavily weighted gold shares and consumer products led gains in 12 of the market's 14 sectors. The TSE-300 composite index rose 10.80 to 4,257.55 in volume of 21.9m shares. Advancing stocks outpaced declines by 253 to 226, with 298 issues unchanged.

The precious metals group rose 69.06 to 10,004.84.

EUROPE

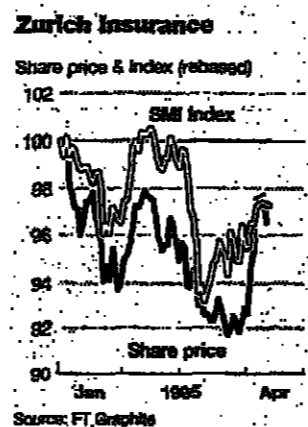
Eurotunnel skids by 15% in very heavy volume

Individual corporate stories set the tone for the day, writes Our Markets Staff.

PARIS took a further look at Eurotunnel and, with retail investors selling heavily, the stock tumbled Ffr3.60 or 15 per cent to Ffr14.80 as volume peaked at 18m shares. For the broader market, weakness in bonds kept the index on the negative side, the CAC-40 finishing with a loss of 11.61 at 1,993.31. Turnover was modest at Ffr3.3bn.

There were plenty of other stories to keep the market busy. Pechiney, which is due to be privatised, fell back after the company announced that it was planning a capital increase of between Ffr20m to Ffr100m. In a separate announcement the group said its 1994 loss was Ffr3.7bn, slightly higher than estimates made earlier this year. Pechiney fell Ffr17.90 or 5 per cent to Ffr317, while its subsidiary Pechiney International rose Ffr6.50 to Ffr133.00 on arbitrage.

Michelin declined in spite of reporting 1994 profits of Ffr1.3m, against a 1993 loss of Ffr1.7m, a result much in line with analysts' forecasts. The improvement in trading conditions had been brought about



by the recovery in European vehicle sales. However, the company faces industrial problems from employees demanding wage increases and a shorter working week. The shares fell Ffr2.50 to Ffr212.

Zurich remained subdued, with shares trading in a tight range and the SMI index ending just 1.9 higher at 2,553.1.

Zurich Insurance registered a fall of 1.9 per cent to Sfr1.201 as investors adopted a cautious approach to news that the company, and an investor group, had agreed to acquire Kemper, of the US, for more

than \$2bn. The shares rallied briefly as the insurer confirmed that the deal would not trigger a capital call, but they slipped back on news that Standard & Poor's had put Zurich on credit watch.

Mr Thomas Kalbermatten at UBS in Zurich downgraded the stock from a buy to a hold, saying that a number of issues remained to be answered. Over the longer term, he thought that the price was fair and, strategically, it was an attractive deal.

In the short run, there are still questions about goodwill and how the deal will affect 1995 earnings," he said.

Sulzer fell Sfr9 to Sfr666, with investors sceptical over the company's profits outlook released at the annual news conference.

A Sfr9 improvement in Brown Boveri to Sfr1,101 was attributed to an improved outlook for its US business.

FT-SE Actuaries Share Indices

Apr 11		THE EUROPEAN SERIES														
Monthly contracts	Open	10.30	11.00	12.00	13.00	14.00	16.00	Close								
FI-EE Eurobank 100	1294.82	1295.15	1294.00	1293.10	1293.42	1293.32	1293.04	1293.04								
FI-SE Eurobank 200	1363.09	1365.19	1364.34	1362.68	1363.40	1363.69	1362.02	1360.33								
	Apr 10	Apr 9	Apr 8	Apr 5	Apr 4											
FI-EE Eurobank 100	1292.54	1291.50	1292.50	1291.94	1291.70											
FI-SE Eurobank 200	1371.65	1360.37	1370.93	1372.50	1372.06											
Real 100 (20/1000) Hedging 100	1265.22	1260.30	1260.00	1260.00	1260.00	1260.00	1260.00	1260.00								